Supreme Court, U.S.
FILED
OCT 23 2000
OFFICE OF THE CLERK

(2)

No. 00-442

IN THE

Supreme Court of the United States

RIVERWOOD INTERNATIONAL CORPORATION,

Petitioner,

v.

THE MEAD CORPORATION,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

J. PETER COLL, JR.
Counsel of Record
JAMES J. MURTHA
KRISTEN BANCROFT
ORRICK, HERRINGTON
& SUTCLIFFE LLP
666 Fifth Avenue
New York, New York 10103
(212) 506-5000

Counsel for Respondent

99 pp

OBJECTIONS TO QUESTIONS PRESENTED

Respondent The Mead Corporation ("Mead") objects to the erroneous statements included in the first Question Presented by Petitioner Riverwood International Corporation ("Petitioner"), specifically (i) that the Federal Circuit did not "undertak[e] the required review of the underlying findings of fact," (ii) that the Federal Circuit did not "acknowledg[e] petitioner's assertion of numerous clear errors in those findings," and (iii) that the alleged errors in the findings "would require upholding the district court's conclusion that the patent was not invalid for obviousness."

As demonstrated *infra*, the Federal Circuit both acknowledged Petitioner's assertion of clear errors and undertook to examine the findings of fact underlying the district court's judgment, and, therefore, statements (i) and (ii) are inaccurate and misleading. Statement (iii) represents Petitioner's litigation position, not a fact, and is misleading to the extent that Petitioner relies upon it as a factual basis for the Question Presented.

STATEMENT PURSUANT TO RULE 29.6

The Mead Corporation has no parent company and there is no publicly held company which owns 10% or more of The Mead Corporation's stock.

TABLE OF CONTENTS

	Page
Objections to Questions Presented	i
Statement Pursuant to Rule 29.6	ii
Table of Contents	iii
Table of Cited Authorities	iv
Table of Appendices	vi
Counter-Statement of the Case	1
Reasons for Denying the Writ	6
I. The Federal Circuit's Decision Was Consistent With This Court's Long-Standing Precedent Which Permits An Appellee To Attack The Reasoning Underlying A Judgment That It Seeks To Uphold.	7
II. The Decision Below Does Not Conflict With *Panduit II* Nor With Any Authority Of This Court Or The Federal Circuit.	10
A. *Panduit II* Does Not Require The Federal Circuit To Perform An Express Analysis Of Every Factual Finding Underlying A Judgment.	10
B. The Federal Circuit Gave Appropriate Consideration To The Factual Findings Underlying The Determination On Obviousness.	13
Conclusion	14

TABLE OF CITED AUTHORITIES

Page

Cases:

Anderson v. City of Bessemer City, 470 U.S. 564 (1985) 4

Apgar v. State, 2000 WL 1059444 (10th Cir. Aug. 2, 2000) 12

Carnival Cruise Lines, Inc. v. United States, 200 F.3d 1361 (Fed. Cir. 2000) 8

Dennison Mfg. Co. v. Panduit Corp., 475 U.S. 809 (1986) 10, 11

El Paso Natural Gas Co. v. Neztsosie, 526 U.S. 473 (1999) 8

Graham v. John Deere Co., 383 U.S. 1 (1966) ... 5, 9, 13

John v. Barron, 897 F.2d 1387 (7th Cir. 1990) 12

Morley Constr. Co. v. Maryland Cas. Co., 300 U.S. 185 (1937) 6, 8

Panduit Corp. v. Dennison Mfg. Co., 810 F.2d 1561 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987) 6, 9, 11, 12

Ryco, Inc. v. Ag-Bag Corp., 857 F.2d 1418 (Fed. Cir. 1988) 3

Cited Authorities

	Page
Stratoflex, Inc. v. Aeroquip Corp., 713 F.2d 1530 (Fed. Cir. 1983)	9
United States v. American Ry. Express Co., 265 U.S. 425 (1924)	8
United States v. United States Gypsum Co., 333 U.S. 364 (1948)	3, 11, 12
Statutes:	
35 U.S.C. § 102	2
35 U.S.C. § 103	1, 2, 11, 12
Rules:	
Fed. R. App. P. 3(c)	9
Fed. R. App. P. 28(a)(9)	11
Fed. R. App. P. 28(b)	11
Fed. R. Civ. P. 52(a)	3, 11
Fed. R. Civ. P. 53	12
Fed. R. Civ. P. 53(e)(2)	2
Sup. Ct. R. 10	1

TABLE OF APPENDICES

Page

Appendix A — Brief Of Plaintiff-Appellee Riverwood International Corporation Dated June 15, 1999 ..... 1a

Appendix B — Transcript Of Oral Argument Of The United States Court Of Appeals For The Federal Circuit Dated February 9, 2000 ..... 58a

COUNTER-STATEMENT OF THE CASE

The Petition for a Writ of Certiorari ("Petition") hinges on Petitioner's misleading assertion that Petitioner provided the Federal Circuit with a showing — supposedly supported by the evidentiary record — that the district court's findings of fact were clearly erroneous, but that its showing was ignored by the Federal Circuit because Petitioner was the appellee and was precluded from filing a notice of cross-appeal. On the contrary, as demonstrated in Petitioner's brief on appeal, Petitioner, recognizing the lack of evidentiary support to attack the district court's findings of fact as clearly erroneous, made a strategic decision *not* to rely upon purported clear error in the findings of fact. *See* Appendix ("App."), *infra*, 1a-56a. Rather, it chose to posit the great majority of its disputes with the district court's findings of fact as legal — not factual — error. This strategy proved unavailing when the Federal Circuit examined the findings of fact and ruled in favor of Mead, reversing the district court's erroneous legal conclusion and holding the relevant claims of the patent-in-suit to be invalid for obviousness under 35 U.S.C. § 103. Now Petitioner seeks a grant of certiorari to rescue it from its failed strategy. A writ of certiorari is granted to review lower courts' conflicts and errors in important questions of federal law, *see* Sup. Ct. R. 10, not to remedy a party's tactical decisions below. The Petition should be denied.

As set forth in the Petition, the underlying dispute concerns Petitioner's claim that Mead infringed claims 1 and 13 of Petitioner's United States Patent No. 5,241,806 (the " '806 Patent"). On the consent of the parties, the case was tried before a Special Master. After a seven-day trial, the Special Master issued a Report containing findings of fact and conclusions of law, in which he concluded, *inter alia*, that claims 1 and 13 of

the '806 Patent were invalid for obviousness pursuant to 35 U.S.C. § 103. Appendix to Petition ("Pet. App.") 54a, 57a.[1]

The district court ruled, at a hearing conducted after both parties had submitted objections to the Special Master's Report, that although it agreed with all other aspects of the Report, it would reject the legal conclusion of invalidity based on obviousness. Both parties submitted proposed orders to implement the district court's oral ruling. Recognizing that a conclusion of non-obviousness could not be supported by the Special Master's factual findings, Petitioner submitted a proposed order asking the district court to reject or modify all of the Special Master's findings necessary to the obviousness determination, particularly findings of fact 34 through 41, 46 through 48, 50 through 54, 56 and 65. Fed. Cir. App. A1980-2018[2]; Pet. App. 29a-39a.

Rejecting Petitioner's proposed order, the district court cited Federal Rule of Civil Procedure 53(e)(2), and "accept[ed] each of the Special Master's findings of fact as to all the matters at issue, finding none of them clearly erroneous." Pet. App. 9a. The court "commend[ed] the thoroughness and ability with which the Special Master [had] performed his duties," and explained that "the fact that the Court does not come to the same conclusion of law as the Special Master in one instance is certainly no reflection on the excellence of his report." *Id.*

---

1. The Special Master also made findings of fact that were not relevant to the obviousness issue, and arrived at the legal conclusions that claims 1 and 13 were infringed, that the patent was not invalid on the basis of 35 U.S.C. § 102 (anticipation) and that the patentee had not engaged in inequitable conduct in the United States Patent and Trademark Office. Pet. App. 45a, 47a, 57a.

2. References to the Joint Appendix in the Federal Circuit shall be cited as "Fed. Cir. App. __".

Mead timely filed a Notice of Appeal, which properly specified that Mead was appealing from that portion of the district court's judgment that held the '806 Patent not invalid for obviousness. Pet. App. 60a-61a. In its briefs to the Federal Circuit, Mead argued that the findings of fact, established by clear and convincing evidence and adopted by the district court, led to but one conclusion — that the '806 Patent was invalid for obviousness — and that the district court had erred in concluding otherwise.

Despite Petitioner's suggestions to the contrary, it was not precluded from contending on appeal that the findings of fact were clearly erroneous; it had the right to urge any evidence in the record in support of the judgment that it sought to affirm. *See* discussion, *infra*, at 7-10. In fact, in defense of the judgment below, Petitioner asserted, "Riverwood does believe that a number of the Special Master's factual findings are clearly erroneous and most of those erroneous findings are discussed herein. However, Riverwood believes that, even under the facts as found by the Special Master, claims 1 and 13 of the '806 patent have not been proven invalid." App., *infra*, 23a n.13. Accordingly, Petitioner's brief to the Federal Circuit reflects its primary reliance upon legal arguments rather than evidentiary challenges to the facts. App., *infra*, 24a-56a.

Indeed, Petitioner made every effort to escape from the "clear error" standard of review.[3] Illustrative of Petitioner's

3. Under the applicable standards of review, the district court's findings of fact could be reversed only if clearly erroneous, *i.e.*, only if "the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948); *accord* Fed. R. Civ. P. 52(a); *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1423 (Fed. Cir. 1988) (factual findings underlying obviousness determination are subject to clear-error standard of review).

strategy was its challenge to the finding — alleged to be clearly erroneous — that there was an "insufficient nexus" linking commercial success of the Twin Stack machine[4] to the invention disclosed in claims 1 and 13 of the '806 Patent[5]:

- Petitioner attempted to convert its factual challenge to a legal argument, asserting that the Special Master had committed legal — not factual — error in its evaluation of the factors contributing to the alleged commercial success of the Twin Stack. App., *infra*, 47a-52a.

- Petitioner contended that the record contained substantial evidence supporting its theory of nexus, without providing any citations to the record to support this assertion. App., *infra*, 48a. But even if Petitioner had cited substantial evidence, this would not suffice to establish that the contrary factual finding was clearly erroneous. *See Anderson v. City of Bessemer City*, 470 U.S. 564, 574 (1985) (under Rule 52(a), "[w]here there are two permissible views

---

4. The Twin Stack is Petitioner's cartoning machine embodying the '806 Patent. Pet. App. 2a.

5. Petitioner's sole evidentiary attack on the nexus issue focused on the finding that Petitioner had entered into a development agreement with Pepsi-Cola, under which Pepsi-Cola funded the development of the Twin Stack in return for rebates on cartons and an exclusive option on cartoners. To demonstrate clear error, Petitioner cited evidence demonstrating that Pepsi-Cola had funded the acceleration of the machine, that Pepsi-Cola had received an exclusive option on the cartoners, and that it had been offered a rebate on cartoners and on cartons. App., *infra*, 49a. In short, the evidence cited failed to establish any error whatsoever in the factual finding.

> of the evidence, the factfinder's choice between them cannot be clearly erroneous").

Moreover, Petitioner's purported challenges to the facts were so vaguely articulated and poorly supported that the Federal Circuit asked Petitioner at the oral argument for clarification as to which findings were alleged to be clearly erroneous. App., *infra*, 68a. The Federal Circuit not only gave Petitioner the opportunity to clarify its assertions of clear error — the court also expressly demonstrated its consideration of those assertions. For example, informed that Petitioner was attacking the factual findings concerning commercial success, the court probed Petitioner to identify the evidence in the record below which would support its attack. App., *infra*, 73a-74a. In addition, the Federal Circuit expressly articulated its understanding of its duty in considering the factual underpinnings of the contested conclusion of non-obviousness, asking Petitioner, "[D]o you agree that it's our duty now to take a look at those findings and come to a conclusion ourselves as a matter of law . . .?" Counsel for Petitioner assented: "My understanding is that you do the review [of the conclusion] *de novo*, and that in looking at whether or not [the district court] was right, I think yes you have to look at those." App., *infra*, 72a.

The Federal Circuit then did just that, noting in its decision that "[o]ur task is to examine the findings [of fact] related to the factors articulated in *Graham*[6] and determine whether the district court erred by deciding that the claims were not obvious as a matter of law." Pet. App. 4a. Based upon its examination of the findings, after hearing Petitioner's contentions regarding

---

6. The court was referring to *Graham v. John Deere Co.*, 383 U.S. 1 (1966), in which this Court established the factual inquiries upon which the legal conclusion of obviousness is based.

the sustainability of such findings, the Federal Circuit held that the district court's conclusion of non-obviousness was erroneous, and it reversed and found claims 1 and 13 of the '806 Patent invalid for obviousness.

REASONS FOR DENYING THE WRIT

This case is not appropriate for the grant of a writ of certiorari for the following reasons:

1. The Federal Circuit's judgment below did nothing to alter the availability of an appellee's opportunity, in the absence of a cross-appeal, to challenge the reasoning underlying a judgment. Under this Court's long-established precedent, an appellee seeking to uphold a judgment may urge any matter appearing in the record, and may even attack the reasoning of the lower court. *See Morley Constr. Co. v. Maryland Cas. Co.*, 300 U.S. 185 (1937). In this case, Petitioner was not deprived of the opportunity to have its challenges to the facts heard by the Federal Circuit. Indeed, the Federal Circuit and Petitioner agreed that the court had a duty to look at those facts as presented to them by the parties on appeal, and that is exactly what the court did. Pet. App. 4a ("Our task is to examine the findings . . . .").

2. The Federal Circuit's judgment was in harmony — not in conflict — with its own precedent and with the precedent of this Court. Contrary to Petitioner's assertions, *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed. Cir.), *cert. denied*, 481 U.S. 1052 (1987) ("*Panduit II*"), does not obligate the Court of Appeals expressly to explain how or why each unassailable finding of fact is free from error. Rather, *Panduit II* establishes the appellate standard of review for the elements of a determination of obviousness, and the Federal Circuit properly applied that standard of review in reversing

the district court's judgment. Petitioner essentially asks this Court to require the Court of Appeals to state in every written opinion an express analysis of each of an appellee's arguments, regardless of their merits. This argument lacks any legal foundation, and it is unsuitable for this Court's review.

I. THE FEDERAL CIRCUIT'S DECISION WAS CONSISTENT WITH THIS COURT'S LONG-STANDING PRECEDENT WHICH PERMITS AN APPELLEE TO ATTACK THE REASONING UNDERLYING A JUDGMENT THAT IT SEEKS TO UPHOLD.

Petitioner attempts to fabricate a certifiable question by contending that it was deprived of an opportunity to be heard on its challenges to the district court's findings of fact because, as the appellee seeking to sustain the judgment, it lacked standing to bring a cross-appeal. Black-letter law, however, provides that an appellee is not required to file a cross-appeal before the appellate court will hear its attack on the findings of fact underlying a district court's judgment. Here, both the Petitioner and the Court of Appeals acted consistently with that long-standing procedure: Petitioner did not notice a cross-appeal; Petitioner did attack the findings of fact on appeal; and the Federal Circuit considered those attacks. Thus, Petitioner obtained the appellate review to which it was entitled, and its "standing" contention is frivolous.

The "inveterate and certain" rule governing the arguments that may be asserted by an appellee who has not filed a cross-appeal is as follows:

> Without a cross-appeal, an appellee may "urge in support of a decree any matter appearing in the record, although his argument may involve an attack

> upon the reasoning of the lower court or an insistence upon matter overlooked or ignored by it."

Morley, 300 U.S. at 191 (quoting *United States v. American Ry. Express Co.*, 265 U.S. 425, 435 (1924)); *see also El Paso Natural Gas Co. v. Neztsosie*, 526 U.S. 473, 479-80 (1999) (confirming continued viability of rule).[7] The only thing that Petitioner

> may not do in the absence of a cross-appeal is to "attack the decree with a view either to enlarging his own rights thereunder or of lessening the rights of his adversary, whether what he seeks is to correct an error or to supplement the decree with respect to a matter not dealt with below."

Morley, 300 U.S. at 191 (quoting *American Ry. Express*, 265 U.S. at 435); *see also El Paso*, 526 U.S. at 479-80 (precluding appellee from asserting argument that would result in modification of judgment below).

In this case, Petitioner sought to affirm the district court's judgment, without modification or enlargement of its rights thereunder. App., *infra*, 56a. Petitioner was not, therefore, precluded from challenging the underlying findings of fact that

---

7. The Federal Circuit is well aware of this long-standing rule; the court applied the rule earlier this year, holding that an appellee in a customs appeal who had not filed a cross-appeal was not prohibited from asserting, in support of the judgment below, an alternative legal theory that differed from the district court's reasoning underlying the judgment. *Carnival Cruise Lines, Inc. v. United States*, 200 F.3d 1361, 1365 (Fed. Cir. 2000).

formed part of the district court's reasoning,[8] and, contrary to the assertions in the Petition, the Federal Circuit's opinion and comments at oral argument reflect that it did not disregard Petitioner's contentions regarding the findings of fact. Rather, the court "examine[d] the findings related to the factors articulated in *Graham* and determine[d] whether the district court erred by deciding that the claims were not obvious as a matter of law." Pet. App. 4a. That examination of the facts was promised at the oral argument when the Court of Appeals, through its questioning of Petitioner's counsel, made every effort

---

8. Petitioner's assertion that it was not on adequate notice that Mead's appeal would not seek to overturn the district court's factual findings is both irrelevant and incredible. The Notice of Appeal was entirely in conformance with Fed. R. App. P. 3(c), as it designates that Mead was appealing the district court's judgment holding claims 1 and 13 of the '806 Patent not invalid for obviousness. Pet. App. 60a. Petitioner does not — and cannot — claim that the Notice was defective. The notion that Petitioner was somehow caught off guard by Mead's position on appeal — that the district court had erred in making a legal conclusion of obviousness based upon the undisturbed findings of fact — is patently absurd for several reasons: First, Mead was not required to attack every element of the district court's reasoning in its challenge to the judgment. As noted in Petitioner's own brief on appeal, the Federal Circuit reviews judgments, not opinions. *See* App., *infra*, 23a n.13 (citing *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540 (Fed. Cir. 1983)). Second, having sought to alter every one of the critical findings of fact in the district court, Fed. Cir. App. A1980-2018, Petitioner was well aware that the findings of fact supported a conclusion of obviousness — the very result that Mead sought on appeal. Finally, the very case upon which Petitioner bases its Petition, *Panduit II*, notes that an appellant seeking to reverse a district court's determination on the issue of obviousness, without risking remand, has several options, one of which "is to show that a proper application of the law to unassailable findings compels reversal." 810 F.2d at 1565. This is exactly the showing that Mead made and that the Federal Circuit adopted.

to understand and address Petitioner's arguments and contentions, in light of Petitioner's obscure articulation and deficient evidentiary support. App., *infra*, 68a-75a. Petitioner received the judicial review which it sought and to which it was entitled. Petitioner's threat that a denial of certiorari will somehow encourage appellees to file unnecessary cross-appeals in order to secure appropriate review is belied by the review that Petitioner received from the Federal Circuit. The writ of certiorari is not warranted.

II. THE DECISION BELOW DOES NOT CONFLICT WITH *PANDUIT II* NOR WITH ANY AUTHORITY OF THIS COURT OR THE FEDERAL CIRCUIT.

Because the Federal Circuit's opinion did not include an express analysis of Petitioner's unavailing attacks on the findings of fact, Petitioner claims that the court failed to follow the dictates of *Panduit II*. There are two fundamental flaws in this argument: (i) Petitioner misinterprets *Panduit II* to impose an affirmative obligation requiring the Court of Appeals to make an express disposition of every factual argument raised by an appellee, and (ii) Petitioner misreads the Federal Circuit's opinion as failing to address Petitioner's unsupportable factual attacks.

A. *Panduit II* Does Not Require The Federal Circuit To Perform An Express Analysis Of Every Factual Finding Underlying A Judgment.

Panduit II, the cornerstone of the Petition, was issued upon remand after this Court's decision in *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986). There, the Court was unable to exercise plenary review of the Federal Circuit's decision on appeal, because the decision failed to indicate whether it had applied the clearly erroneous standard articulated

in Federal Rule of Civil Procedure 52(a) when reversing factual findings. *Id.* at 811. On remand, the Federal Circuit provided an extensive explanation of the nature of its review of the factual findings underlying a determination on the obviousness issue. *Panduit II*, 810 F.2d at 1565-68. As an introduction to its discussion, the court stated that "[o]n review of a judgment based on a conclusion of obviousness under 35 U.S.C. § 103, this court must consider not only whether there is legal error, but also whether the underlying findings are either nonprobative, or clearly erroneous, or both." *Id.* at 1565. Petitioner has seized upon this quote, taken out of context, as the lynchpin of its Petition for this Court's review. *Panduit II*, however, does not stand for the proposition that the Federal Circuit is affirmatively obligated to publish an express analysis of every factual finding in determining whether it is clearly erroneous. Petitioner has not cited a single legal authority for this interpretation of *Panduit II*. Indeed, Mead's diligent search of Federal Circuit decisions subsequent to *Panduit II* yielded no cases that interpreted the case to require such an undertaking.

Petitioner's interpretation of *Panduit II*, in fact, is inconsistent with the jurisprudence of other Courts of Appeals and with the Federal Rules of Appellate Procedure, which require a party to an appeal to articulate clearly its contentions and the reasons therefor. *See* Fed. R. App. P. 28(a)(9), 28(b). Here, Petitioner, having made a strategic decision to avoid directly attacking the findings of fact as clearly erroneous, confused its factual arguments. It argued that the district court's factual findings were the result of legal error and that substantial evidence would have supported contrary findings. App., *infra*, 24a-56a. In the rare instances where Petitioner did attempt to meet the "clear error" standard, it failed to supply support that would convince the court that "a mistake had been made". *See United States v. United States Gypsum*

Co., 333 U.S. 364, 395 (1948). Now, without having provided the necessary evidentiary showing for its purported assertions of clear error, Petitioner seeks to saddle the Federal Circuit with the burden of including in its opinion an attempt to individually address and make sense of each of Petitioner's purported factual arguments.[9] In short, Petitioner is overreaching.

A fair reading of *Panduit II* demonstrates that its import was not to require an explicit scouring of the factual record, but, rather, to spell out the Federal Circuit's role in reviewing factual arguments that are properly before it. In fact, *Panduit II*'s discussion of this role provides for exactly the situation that was before the Federal Circuit in the instant case:

> If unassailable findings were made but could not support the appealed judgment under a proper application of law, an appellate court may vacate or reverse, but not make its own findings.

810 F.2d at 1565. The district court's findings of fact were unassailable — they were established by clear and convincing evidence and, pursuant to Federal Rule of Civil Procedure 53, were adopted by the district court, who praised the "thoroughness and ability with which the Special Master has performed his duties." Pet. App. 9a. Those facts could not support the district court's judgment under a proper application of 35 U.S.C. § 103, and the Federal Circuit properly reversed.

---

9. The Courts of Appeals have consistently held that they will not supply the support for a party's insufficiently articulated arguments. *See Apgar v. State*, 2000 WL 1059444, at *8 (10th Cir. Aug. 2, 2000) ("Neither the district court, or this Court on appeal, is obligated to comb the record in order to make Ms. Apgar's argument's for her."); *John v. Barron*, 897 F.2d 1387, 1393 (7th Cir. 1990) ("This court is not obligated to research and construct legal arguments open to parties, especially when they are represented by counsel as in this case.").

B. The Federal Circuit Gave Appropriate Consideration To The Factual Findings Underlying The Determination On Obviousness.

Petitioner seeks review by this Court due to the absence of an explicit statement in the Federal Circuit's opinion that the findings of fact below were not clearly erroneous. As the foundation for Petitioner's claim that the appellee's arguments were not heard by the Court of Appeals, Petitioner clings to the Federal Circuit's observation that the appellant, Mead, had not challenged the findings. To make this argument, Petitioner willfully ignores the express indications that the Federal Circuit did consider Petitioner's challenges to the factual findings, but considered the challenges unworthy of comment.

In its opinion, the Federal Circuit noted that its "task is to *examine the findings* related to the factors articulated in *Graham* [*i.e.*, the factual inquiries underlying a determination on the issue of obviousness] and determine whether the district court erred by deciding that the claims were not obvious as a matter of law." Pet. App. 4a (emphasis added). Thus, although the Federal Circuit's opinion is brief and to the point, it clearly indicates that the court examined the findings of fact, as challenged by Petitioner, before reaching its conclusion that the district court had erred.

Any doubt in this regard is resolved by examining the transcript of the oral argument. There, despite the vagueness and obscurity of Petitioner's purported assertions of clear error in its appellee's brief, the panel affirmatively sought to understand the extent to which Petitioner alleged that the findings were clearly erroneous. The court expressly asked counsel for Petitioner to identify the challenged findings, App., *infra*, 68a, and to point to evidence that would support its

allegations of clear error, App., *infra*, 73a. Finally, the court even articulated its duty with respect to the review of fact and law, and counsel for Petitioner agreed with the court's articulation of that duty:

> THE COURT: Well, do you agree that it's our duty now to take a look at those findings and come to a conclusion ourselves as a matter of law whether obviousness has been —
>
> MR. MANNING: . . . My understanding is that you do the review de novo, and that in looking at whether or not Judge Moye was right, I think yes you have to look at those.

App., *infra*, 72a. The record makes clear that the Federal Circuit *did* consider Petitioner's attacks on the findings of fact; but, to Petitioner's disappointment, it properly considered them unworthy of serious discussion. Petitioner's disappointment is not a basis for a grant of the writ of certiorari.

CONCLUSION

The Petition for a Writ of Certiorari should be denied.

Respectfully submitted,

J. PETER COLL, JR.
Counsel of Record
JAMES J. MURTHA
KRISTEN BANCROFT
ORRICK, HERRINGTON & SUTCLIFFE LLP
666 Fifth Avenue
New York, New York 10103
(212) 506-5000

Counsel for Respondent

APPENDIX

APPENDIX A — BRIEF OF PLAINTIFF-APPELLEE RIVERWOOD INTERNATIONAL CORPORATION DATED JUNE 15, 1999

99-1274

IN THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

v.

THE MEAD CORPORATION,

Defendant-Appellant.

Appeal from a decision of the United States District Court For the Northern District of Georgia, No. 94-CV-90, Entered January 14, 1999, Senior Judge Charles A. Moye, Jr.

BRIEF OF PLAINTIFF-APPELLEE RIVERWOOD INTERNATIONAL CORPORATION

Appendix A

WELLINGTON M. MANNING, JR.
NEIL C. JONES
CRAIG N. KILLEN
DORITY & MANNING
700 East North Street, Suite 15
Greenville, South Carolina 29601
(864) 271-1592

Attorney for Plaintiff-Appellee Riverwood International Corporation

June 15, 1999

Appendix A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Riverwood International Corporation
v. The Mead Corporation

No. 99-1274

Certificate of Interest

Counsel for the Appellee, RIVERWOOD INTERNATIONAL CORPORATION, certifies the following:

1. The full name of every party or amicus represented by me is:

   Riverwood International Corporation

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

   Riverwood International Corporation

3. The parent companies, subsidiaries (except wholly owned subsidiaries), and affiliates that have issued shares to the public, of the party or amicus curiae represented by me are:

   None.

Appendix A

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Wellington M. Manning, Jr., Neil C. Jones and
Craig N. Killen of Dority & Manning, P.A.
Post Office Box 1449
Greenville, South Carolina 29602-1449

March 15, 1999 — s/ Neil C. Jones
Date — Counsel for Appellee

[Tables omitted]

STATEMENT OF RELATED CASES

Appellee agrees with the Statement of Related Cases set forth on page vi of Appellant's Brief.

Appendix A

IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Appeal No. 99-1274

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

v.

THE MEAD CORPORATION,

Defendant-Appellant.

This brief is filed on behalf of Plaintiff-Appellee Riverwood International Corporation ("Riverwood") in response to the Brief of Defendant-Appellant The Mead Corporation ("Mead").

STATEMENT OF THE ISSUES

Did the District Court correctly hold that Mead had failed to prove, by clear and convincing evidence, that claims 1 and 13 of U.S. Patent No. 5,241,806 were invalid for obviousness?

STATEMENT OF THE CASE

On January 14, 1999, the District Court entered Judgment in this patent infringement action in favor of

Plaintiff Riverwood. [A9][1] The District Court determined that:

A. Claims 1 and 13 of Riverwood's U.S. Patent No. 5,241,806 ("the '806 patent") are infringed by Mead's accused DuoStack machine;

B. Claims 1 and 13 of the '806 patent are not invalid for obviousness; and

C. The '806 patent is not unenforceable for inequitable conduct.

In this Appeal, Mead no longer contests Parts A and C of the Judgment. Mead has appealed Part B.

The Judgment entered by the District Court followed a hearing on the parties' cross motions to bring objections to a Special Master's report. The District Court had appointed the Special Master to receive evidence and arguments on the liability issues of infringement, validity and inequitable conduct.[2] After a liability trial, the Special Master issued a

---

1. When making references to the record, Appellee will use the same convention as used in Appellant's Brief. A particular page in the appendix will be set forth in the form "A[#]." A more specific reference to a Finding of Fact ("FF¶") or Conclusion of Law ("CL¶") of the Special Master, a transcript page ("p." or "pp.") or column ("Col.") and line number of a patent will often follow the appendix page.

2. The Court ordered that trial of this case would take place in two phases. The initial trial would address the liability issues, with the second trial being reserved for the issues of willful infringement and damages. [A13]

report recommending that Mead's accused machine infringed the '806 patent and that the '806 patent was not unenforceable for inequitable conduct. The Report also recommended, however, that claims 1 and 13 of the '806 patent be held invalid for obviousness.

Both parties filed objections to certain aspects of the Special Master's report. Mead objected to the Special Master's recommendation that no inequitable conduct occurred during prosecution of the '806 patent;[3] and Riverwood objected to the Special Master's recommendation that claims 1 and 13 be held invalid for obviousness.

After a hearing on the objections, the District Court issued an Order [A1-A8] upholding and adopting the Special Master's finding of infringement of the '806 patent by Mead's DuoStack machine and the Special Master's rejection of Mead's inequitable conduct defense. The District Court further held that, even accepting the factual findings as found by the Special Master, Mead did not prove that claims 1 and 13 of the '806 patent were invalid.

STATEMENT OF THE FACTS

A. *"Two-Stream" v. "Three-Stream"*

The '806 patent relates to a relatively large machine (referred to as a "cartoner") for use in an industrial bottling facility. [A325-A347; A289, pp. 1350-1352; A292,

---

3. Mead did not bring objections to the portion of the Special Master's report recommending the finding of infringement.

pp. 1369-1371] The cartoner will continuously load individual containers[4], such as soft drink cans, into open-ended carton sleeves at high rates of speed. [A289, pp. 1350-1353] Cartoners typically cost several hundred thousand dollars or more, and are located downstream of other machinery used to fill and close the individual cans. [A277, p. 1280; A289, pp. 1352-1353] The can filling and closing machinery feeds a mass of cans to the cartoner on a conveyor mechanism. [A289, pp. 1352-1353] The cartoner divides the mass of cans into predetermined numbers of cans for loading into cartons sleeves, which are normally made of paperboard. [A284, pp. 1321-1322; A277, pp. 1280-1281] After loading the cans, flaps on the carton sleeves are closed and glued shut. The closed cartons are then discharged from the cartoner. [A284, pp. 1321-1322]

The terms "two-stream" cartoner and "three-stream" cartoner are used throughout the record of this case. Thus, a certain amount of explanation as to the meaning of these terms is necessary for determining the issues in this case.

Riverwood, relying on the express language of Claims 1 and 13 of the '806 patent, uses these terms as a shorthand way to differentiate between two very different types of cartoners. A "two-stream" cartoner is a machine having two adjacent conveyors that function to load cans into one or both sides of an open-ended carton sleeve. [E.g., A524-A544; A495-A507; A517-A523] In other words, only two separate

---

4. Though cartoners made according to the '806 patent may handle bottles, cans, etc., cans are used in the discussion of the machine.

and distinct conveyors are used to feed, select and load the cans, as well as to carry the open-ended carton sleeves which are loaded and subsequently discharged from the machine.[5] [A285, pp. 1324-1325; A1777] An example of a two-stream cartoner is the one shown in U.S. Patent No. 4,237,673 to Calvert. [A478-A485]

A "three-stream" cartoner, on the other hand, uses three separate and distinct conveyors that are placed adjacent to one another in a predetermined arrangement. [A284-A285, pp. 1319-1324; A290, p. 1359; A1778] Although Mead vigorously argued at trial that a cartoner having only two separate conveyors could be considered a "three-stream" cartoner, this view was rejected by the Special Master. Instead, the Special Master agreed with Riverwood that "a three-stream system" for purposes of this litigation is a system which has "three separate conveyors." [A36, CL ¶ 22]

At trial, Mead presented only one prior art cartoner reference showing a "three-stream system" — U.S. Patent No. 3,778,959 ("Langen '959"). [A457-A465] Langen '959, however, was cited to the Examiner by the applicants during prosecution of the '806 patent and was discussed as background in the '806 patent itself. [A413; A339, col. 1,

5. Most two-stream machines load from both sides, so that the machine has a symmetrical structure with two infeed conveyors located on opposite sides of a carton conveyor. [E.g., A478-A485] Other two-stream machines load from one side only. [E.g., A517-A523] Thus, for purposes of this case, the number of streams is determined by counting the number of conveying streams on one side of the machine only.

lines 53-62] Contrary to Mead's assertions that three-stream machines were "well known" (see, e.g., page 12 of Mead's Brief), there is no evidence that Langen '959 was "well known" or widely used in the industry. In fact, Langen '959 is the only three-stream cartoner described in the 24 prior art patents that were listed as exhibits for trial.[6]

B. *The '806 Patent*

Claims 1 and 13, the only claims at issue in this case, recite a cartoner in which three separate and distinct conveyors are used in combination with a barrel cam loader mechanism to load containers into open-ended carton sleeves. The articles are brought into the machine on an infeed conveyor having a plurality of article guide lane structures located above it. [A341, col. 5, lines 52-62] The guide lane structures are intersected by transversely fixed flight bars carried on a second conveyor. [A341, col. 5, line 66 through col. 6, line 26] The flight bars separate the cans into groups which will ultimately be loaded into the carton sleeves. [A341, col. 6, lines 18-26] The flight bar conveyor is part of the "article selecting conveyor" referred to in the '806 patent which is used to select the articles (typically cans) into groups having a predetermined number. The open-ended carton

---

6. A machine referred to as an APV Douglas Continuous Wrap Machine was listed as an exhibit but was not urged at trial. This machine utilized a number of streams including a pin selector stream, a stream of buckets and a stream of flat wraps for encasing the groups of articles. A barrel cam loader was used to push the articles from the pin-selector groups into the buckets. Then, a second barrel cam loader was used to push the articles from the buckets into position for wrapping.

sleeves move along a third conveyor, referred to as a "carton supply conveyor," which is located adjacent and parallel to the article selecting conveyor. [A342, col. 7, lines 52-59] The can groups are pushed into open-ended carton sleeves by the barrel cam loader mechanism. [A342, col. 8, lines 33-45] The loaded cartons continue on the carton supply conveyor to a gluing station where the carton flaps are closed and glued and then finally to a discharge mechanism. [A341, col. 5, lines 26-30]

As Mead indicated in its Brief, the invention set forth in claims 1 and 13 of the '806 patent is embodied in Riverwood's Twin-Stack machine. [Mead's Brief, p. 6] As found by the District Court, and no longer disputed by Mead, the invention of claims 1 and 13 is also embodied in Mead's infringing DuoStack machine. [A9]

C. *The Prosecution History of the '806 Patent Demonstrates the Patentability of Claims 1 and 13*

According to Mead, the "only relevant inquiry" is whether it would have been obvious to substitute a barrel cam loader loading mechanism, such as that shown in U.S. Patent No. 4,936,077 ("Langen '077") [A517-A523], for the stationary guide rail loading structure shown in the three-stream machine of Langen '959.[7] [Mead's Brief, p. 7] Both a barrel cam loader and a stationary guide rail loading structure will ultimately load a plurality of cans into a carton

---

7. Riverwood does not agree that this is the "relevant inquiry" as explained below in the Argument section of this Brief. The "relevant inquiry" is whether the invention, as a whole, would have been obvious to one of ordinary skill in the art. 35 U.S.C. § 103(a).

sleeve. However, as explained later, the two loading structures are very different both structurally and functionally. Because Langen '959 and Langen '077 were both of record during prosecution of the '806 patent, the propriety of this specific combination was undoubtedly considered by the Examiner. The Examiner found the invention of claims 1 and 13 to be patentable over these references and all other references of record.

1. *Summary of the Prosecution History*

Before the Examiner acted on the application resulting in the '806 patent, the applicants submitted an Information Disclosure Statement ("IDS") informing the Examiner of five prior art patents of which they were aware. [A410-A413] The five patents listed by the applicants on the PTO Form 1449 submitted with the IDS were: (1) Langen '959; (2) Calvert '673; (3) U.S. Patent No. 4,802,324 to Everson ("Everson '324") [A508-A516]; (4) Langen '077; and (5) U.S. Patent No. 5,036,644 to Lashyro ("Lashyro") [A545-A555]. Copies of the five references were also provided to the Examiner, in accordance with Patent Office requirements. [A410]

The Patent Office issued only one Office Action during prosecution of the application that resulted in the '806 patent. [A405-A408] The file history indicates that the Examiner performed a search of the prior art, as he is required to do. [A456] As a result of this search, the Examiner found other patents that he believed were relevant to the application. Those other patents are: (1) U.S. Patent No. 4,982,551 to Nigrelli ("Nigrelli '551") [A524-A544]; (2) U.S. Patent No.

5,072,573 to Tisma ("Tisma '573") [A556-A573]; (3) U.S. Patent No. 4,693,055 to Olsen, Jr. ("Olsen '055") [A495-A507]; (4) U.S. Patent No. 4,250,693 to Andersson ("Andersson '693") [A486-A494]; and (5) U.S. Patent No. 3,956,868 to Ganz ("Ganz '868") [A466-A477].

In the Office Action, the Examiner rejected some of the original claims as anticipated by Nigrelli '551, some of the original claims as anticipated by Olsen '055, and some of the original claims as anticipated by Calvert '673. In addition, original claims 13-15 were rejected under 35 U.S.C. § 103 as obvious over Nigrelli '551 in view of Langen '077. Likewise, original claims 18-20 were rejected as being obvious over Nigrelli '551 in view of Tisma '573. Although the Examiner did not use Langen '959 as a basis for rejecting the claims, the Examiner, by initialing each submitted reference listed on the PTO 1449 form, indicated that he had reviewed it and the other prior art submitted to the Patent Office by the applicants. [A413]

In the rejection of claims 13-15 as being obvious over Nigrelli '551 in view of Langen '077, the Examiner stated:

> It would have been obvious at the time applicant's invention was made to a person of ordinary skill in the art to provide the apparatus of Nigrelli, Sr., with cam-driven article pushers, as taught by Langen et al ['077] because that would provide a more positive transfer of the articles into the carton. [A407]

Appendix A

In response to the Examiner's rejections made in the Office Action, the applicants amended claim 1 and canceled claim 13.[8] [A418-A419; A421] In the amendment, the invention of the '806 patent was distinguished over the "references cited by the Examiner" on the basis of "particular structure for the article infeed means, article selecting means, carton supply means and the article group transfer means" and further on the basis that these "components be aligned in a particular orientation with respect to each other." [A425] The applicants distinguished the prior art on the basis that it did not show a "side loading mechanism" in combination with a three-stream device and that the addition of a "side loading mechanism" to any of the two-stream devices would still yield a "two-stream device." In making the distinguishing arguments, the applicants stated:

> Additionally, no combination of these references [referring back to Nigrelli '551, Calvert '673 and Olsen '055], or Langen ['077], Tisma, or the cited [by the Examiner] but unapplied art, fully meets the invention as now claimed in claim 1. For example, the addition of a side loading mechanism as shown in Langen ['077] to the basic two stream devices shown in Nigrelli, Olsen or Calvert ['673] would still yield a two stream device. None of the cited art [by the Examiner] shows or suggests a structure which selects raw infeed articles from a first stream, and then forms article groups in a

8. Amended claim 1 of the application eventually became claim 1 of the '806 patent and original claim 14 of the application became claim 13 of the '806 patent.

> second and distinct second stream prior to loading into a third stream of cartons. [A426 (explanatory terms as found by the Special Master added)][9]

The applicants also argued that "Claim 1, in addition to being free of any single reference, is also believed to be unobvious over the cited prior art as a whole" and that "amended independent Claims 1 and 22 and new Claims 23 and 24 are patentable over the art of record." [A426; A427]

After consideration of the amendments and arguments set forth in applicants' amendment, the Examiner withdrew the rejections and allowed the application, as amended, to issue as the '806 patent. [A429]

2. *The Most Relevant Prior Art Was Known to the Examiner During Prosecution of the '806 Patent*

The prosecution history shows that the Examiner considered a wide variety of references before determining that the claims of the '806 patent were patentable over the prior art. For example, the prior art considered by the Examiner shows various article loading devices. In some of

---

9. Mead seems to argue in its Brief at page 19 that the '806 inventors misled the Examiner by "shift[ing] the Examiner's focus." In doing so, Mead attempts to equate the term "cited art" as used by the inventors' attorney as referring to all of the prior art of record. This was the main attack by Mead as to the issue of inequitable conduct, which was resolved in Riverwood's favor and is not on appeal. The Special Master found that use of the "cited art" term was not misleading, and that this term specifically did not include Langen '959. [A28, FF¶ 57; A29, FF¶¶ 61-62; A44 CL¶ 60]

these references, the individual articles are loaded by being directed along fixed guide rails into the open-ended carton sleeves. [E.g., A478-A485] In others, article groups are loaded by being pushed into the carton sleeve using a barrel cam loader mechanism. [E.g., A517-A523]

In addition, the prior art that was considered by the Examiner shows various article selecting mechanisms. Some of the references show the use of flight bars to form article groups [e.g, A517-A523], and some references use other techniques (such as pins or screws) to separate individual articles into groups. [A524-A544; A495-A507]

The prior art considered by the Examiner during prosecution of the '806 patent is summarized in the following Table.

Reference Name	3-Stream?	2-Stream?	Angled Guide	Barrel Cam Loader?	Flight Bar Selecting?	Year
Langen '959	X		X		X	1973
Ganz '868		X	X			1976
Calvert '673		X	X		X	1980
Andersson '693		X		X	X	1981
Olsen '055		X	X			1987
Everson '324[10]						1989
Langen '077		X		X	X	1990
Nigrelli '551		X	X			1991
Lashyro '644					X	1991
Tisma '573		X		X		1991

10. Everson '324 does not employ any of the listed mechanisms.

Appendix A

As the Table shows, all of the individual elements of patent claims 1 and 13 are shown in this prior art. In fact, Riverwood stipulated at trial that all of the individual elements of claim 1 were shown in two prior art references — Langen '959 and Langen '077. [A135, p. 433; A143, pp. 480-482] Those references, however, were considered by the Examiner in arriving at his conclusion of patentability.

D. *The Invention of the '806 Patent Achieves a Unique Cartoning Machine Having Many Advantages*

Like Mead's Brief, the Special Master's report contained no discussion of why one of ordinary skill in the art would be motivated to use a "three-stream" device in the first place. Langen '959, the only prior art reference urged by Mead that shows a three-stream cartoner, was also the oldest reference cited during the prosecution of the '806 patent. In addition, the three-stream concept used in Langen '959 apparently lost favor with one of its own inventors, Marinus Langen. Although Mr. Langen used a barrel cam loader in his later cartoning device (shown in Langen '077), he moved away from the three-stream concept to the common two-stream concept. [A517-A523]

The inventors of the '806 patent ultimately invented a cartoner utilizing a "three-stream" arrangement with a barrel cam loader. In arguing for invalidity, Mead would have this Court believe that a three stream cartoner was common and that the choice between using a barrel cam loader and an angulated guide is a "simple design choice" that is "regularly

made by carton designers". [Mead's Brief, p. 9][11] Nothing could be further from the truth.

Substantial evidence was presented at trial as to why someone of ordinary skill in the art would not be motivated to do what the '806 inventors did. For example, even if one were to choose to use a three-stream cartoner from among the prior art in evidence (which, with the exception of Langen '959, shows only two-stream or one-stream cartoners), replacement of the fixed guide rails with a barrel cam loader would result in a machine that:

1. is longer and wider;

2. has more moving parts;

3. is more difficult to maintain;

4. is more costly to build; and

5. is more complicated than a carton loader employing angled guides.

[A139-A140, pp. 458-460; A141-A142, pp. 471-473; A315, p. 1502] These disadvantages of adding a barrel cam loader in place of the fixed guide rails in the three-stream machine are important considerations to both machine designers who

---

11. For this proposition, Mead cites the testimony of its engineer who designed Mead's infringing DuoStack machine. A simple review of that testimony [A149, pp. 513-14] fails to indicate any support for Mead's "simple design choice" statement.

design and build cartoners and to the customers who purchase the machines. [A155, pp. 546-551]

Despite these disadvantages, the invention of the '806 patent achieves a number of advantages, including:

1. Due to the use of three separate conveyors in conjunction with a barrel cam loader, Riverwood's Twin-Stack machine (i.e., the commercial machine admittedly embodying the '806 invention) is extremely flexible so that it can efficiently run various package configurations. [A291, pp. 1360-1363, A292, p. 1470]

2. In the resulting machine, cartons can be glued and closed on the same conveyor upon which the cartons are carried as they are loaded with articles. [A286, pp. 1331-1333] This ability to maintain control over the carton throughout the entire can loading, and filled carton-discharging process is important from a carton-handling standpoint. In addition, this feature, which is not possible with two-stream cartoners having a combined flight bar and carton conveyor such as the machine shown in Calvert '673 [A478-485], is a feature that is touted by Mead to its customers. [A152, pp. 531-32, A286, pp. 1332]

3. The resulting machine will typically take less time to change over between the running of various package sizes. [A285-A286, pp. 1329-1330]

4. The barrel cam loader can be designed (and has been in the Twin-Stack machines) to decrease the speed

of the loading head as it approaches the product group so that the initial contact between the head and the group is gentle and will not result in tipping or article damage. [A285, pp. 1328-1329]

5. The use of separate conveyors allows the speed of the infeed conveyor relative to the speed of the remainder of the machine to be increased. This allows for proper loading of cans into cartons at the industry-desired rates of speed. [A291, pp. 1363-65]

In the context of these advantages, the invention of the '806 patent becomes evident. The advantages result from the unique ***combination*** that the Examiner found to be patentable and that Mead found necessary to use in their infringing DuoStack machines.

E. *The Invention of the '806 Patent Has Been Commercially Successful*

Even though the Special Master concluded (erroneously) that there was *insufficient* nexus between the commercial success of the Twin-Stack machine and the invention of the '806 patent, the Special Master *did find nexus*.[12] [A27, FF¶52] In fact, commercial success by both the Riverwood and Mead machines that embodied the '806 patented invention was well-documented during the trial of this matter.

For example, the record showed that Riverwood has leased 100 Twin-Stack machines to customers. [A277,

12. Mead erroneously states that the Special Master found no nexus. [Mead's Brief, p. 22]

p. 1278] In addition, Mead has leased approximately 33 DuoStack machines. [A277, p. 1278] In many cases, both the Twin-Stack and DuoStack machines replaced prior art two-stream Mead DuoDozen machines in customers' facilities. [A1655-A1666; A1856, pp. 182-84]

Gordon Wilkinson, a Riverwood corporate officer who had been in the packaging industry since 1967, testified that the Twin-Stack machine was "the single-most-important innovative packaging system that [he had] ever seen in the industry." [A275, p. 1269; A277, p. 1278] Mr. Wilkinson explained that in 1992, prior to commercialization of the Twin-Stack machine, Riverwood's annual gross sales in the soft drink industry totaled $64 million and in the beer industry totaled approximately $137 million. [A277, p. 1279] By 1996, after introduction of the patented Twin-Stack machine, Riverwood's revenues from the soft drink industry had almost tripled to approximately $157 million and in the beer industry had nearly doubled to $243 million. [A277, p. 1279] Because of the Twin-Stack machine, Riverwood's production of paperboard (for making the cartons to be run on its cartoning machines) had increased from approximately 112,000 tons per year in 1992 to 204,000 tons at the time of trial. [A277, p. 1279]

The importance of the invention embodied in the Twin-Stack machine is further supported by the dramatic growth in market share enjoyed by Riverwood after the Twin-Stack machine was introduced. For example, before Riverwood began leasing Twin-Stack machines in 1992, Riverwood's market share in the U.S. soft drink industry was approximately 30-31 percent. [A278, pp. 1282-83]

By 1996, that market share had increased to approximately 48-49 percent. [A278, p. 1283] By the time of trial in October 1997, that market share had further increased to approximately 52-53 percent. [A278, p. 1283] Pepsi-Cola was so impressed by the patented three-stream Twin-Stack machine that Riverwood's U.S. market share with this one customer jumped from approximately 10 percent to approximately 80-82 percent. (A278, p. 1282]

F. *The District Court's Order*

As discussed above, the Judgment in this case is based on an Order [A1-A8] issued by the District Court after hearing the parties' objections to the Special Master's report. Contrary to Mead's arguments, the analysis set forth in the Order is very clear and correctly concludes that claims 1 and 13 of the '806 patent were not proven to be invalid.

The Order begins by noting that factual findings of the Special Master must be accepted unless they are clearly erroneous. Because none of the factual findings were found to be clearly erroneous by the District Court, they were accepted.[13] [A3] The District Court then recognized that the

---

13. Riverwood does believe that a number of the Special Master's factual findings are clearly erroneous and most of those erroneous findings are discussed herein. However, Riverwood believes that, even under the facts as found by the Special Master, claims 1 and 13 of the '806 patent have not been proven invalid. As this Court has often said, it "sits to review judgments, not opinions." *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1540, 218 U.S.P Q. 871, 880 (Fed. Cir. 1983). Here the judgment finding that the '806 patent has not been proven invalid is the correct outcome, despite any errant findings of fact.

issue of obviousness is a question of law for which no such deference is due. [A3-A4]

The District Court began by discussing the prosecution history of the '806 patent. The District Court explained that the Patent Examiner, in rejecting original claim 1, believed that the use of a barrel cam loader as applied to a two-stream device was obvious. [A5] The District Court contrasted this with the Examiner's finding that a barrel cam loader as applied to the three-stream device set forth in amended claim 1 was not obvious. [A5]

The District Court further stated that Mead's evidence of substituting a barrel cam loader for an angulated guide-rail structure "did not involve a three-stream" device. [A5] Thus, "[t]he critical issue then became whether that step [of substituting a barrel cam loader for an angulated fixed guide in a three-stream loader] also would have been obvious to a person of *ordinary* skill in the art." [A5-A6] (emphasis in original) The Court specifically rejected the Special Master's conclusion that "the obviousness of substituting a barrel cam loader would be as apt for a three stream cartoner as a two stream cartoner." [A6-A7] The Court found insufficient evidence on this critical issue to support a conclusion that claims 1 and 13 of the '806 patent had been proven invalid by clear and convincing evidence. [A7]

SUMMARY OF THE ARGUMENT

Mead's arguments against validity of the '806 patent avoid the real issue in this case — whether one of ordinary skill in the art would have been motivated by the prior art to

first choose a three-stream cartoner from among the various prior art references and to then modify the only three-stream cartoner among the prior art by replacing angled guides with a barrel cam loader. Instead, Mead attempts to lead this Court away from that real issue by arguing that the District Court did not understand and did not properly apply the clear and convincing evidence standard. Mead says that it was required to meet the clear and convincing standard twice — first on its factual proofs and then on its legal burden.

However, a close reading of the District Court's Order makes clear that the Judge understood and applied the correct standard in assessing the evidence presented at trial. The District Court carefully reviewed the evidence presented and the factual findings found by the Special Master and determined that the Special Master's conclusion that obviousness would be as "apt" in the claimed three-stream cartoner as it was in the context of a two-stream cartoner was not proper in light of the clear and convincing evidence standard. Instead, the District Court recognized, as did the Patent Examiner who issued the '806 patent, that although the use of a barrel cam loader in a two-stream cartoner was shown in the prior art, there had been no clear and convincing showing that one of ordinary skill in the art would be motivated to employ a barrel cam loader in a three-stream device. This was a proper application of the correct legal standard.

Contrary to Mead's arguments, Riverwood's stipulations admitting that all elements of the '806 patented invention were present in the prior art, and in fact were contained in two prior art references — the Langen '959 and the Langen

'077 patents — does not mean that the claimed invention is obvious. It merely means that, like most inventions, the '806 patented cartoner "could" have been made by taking pieces of the prior art and putting them together in one device. However, to say that an invention *could* have been made is not the same as saying that an invention *would* have been made by one of ordinary skill in the art when the art is considered as a whole. Mead would have this Court declare a valuable patent invalid based on this improper "could have made" standard.

In addition, Mead, like the Special Master, believes that the Patent Examiner simply missed the Langen '959 three-stream cartoner patent when allowing the '806 patent to issue. This belief flies in the face of case law holding that an Examiner is presumed to do his or her job, which includes the consideration of the art of record, particularly when, as here, the Examiner actually indicates that the reference was considered.

The Examiner clearly knew what he was doing here. He realized that he was considering the patentability of a three-stream cartoner that utilized a barrel cam loader. He also knew that, like Riverwood admitted in its stipulations, the prior art before him had all the elements of the claimed invention. In addition, he presumedly understood that just two references, the Langen '959 patent and the later Langen '077 patent, actually disclosed all of the elements. But then, he likely recognized that the specification of the earlier Langen '959 three-stream cartoner patent actually discourages the use of a barrel cam loader and describes angled guides as an "improvement" over barrel cam

loading-type devices. He obviously believed, as the District Court concluded, that although the prior art showed two-stream cartoners with barrel cam loaders, the use of a barrel cam loader in a three-stream cartoner would not have been an obvious choice for a cartoning machine based on the prior art as a whole.

While the Examiner had only the prior art to consider, the District Court, and now this Court, has the benefit of real world facts that further support the nonobviousness of the '806 invention. For example, both Riverwood and Mead considered several alternative designs before arriving at the ultimate designs which both, admittedly, embody the '806 invention. Riverwood considered three alternative two-stream designs and Mead considered at least five different designs. This should be substantial evidence that cuts against a finding of obviousness. However, Mead attempts to use Riverwood's development of the '806 invention against Riverwood by arguing that the fourth and final three-stream/barrel cam loader design was the only combination that had not been tried and that some of the other designs were dropped due to non-technical reasons. Even if it were true that the invention was the only remaining combination (which it was not) and that Riverwood had dropped all three earlier designs for reasons other than operational considerations (which it did not), Mead is statutorily prohibited from using Riverwood's invention development process to negate the '806 invention. There is no similar statutory prohibition, however, against considering the development process in Riverwood's favor to support patentability. Thus, this real world evidence supports upholding the District Court's Judgment.

Appendix A

In addition, this Court now has the benefit of considering what happened in the marketplace after the machines embodying the '806 invention were introduced. Since its introduction, Riverwood has leased 100 of its Twin-Stack machines and Mead has leased 33 of its infringing DuoStack machines. These machines, which typically cost several hundred thousand dollars each, have replaced a number of prior art machines in bottling/canning facilities. These machines, which have been described as the "single-most-important innovative packaging system" in the industry in more than 30 years, allowed Riverwood to increase its market share in the soft drink industry from approximately 30 percent to approximately 50 percent. In addition, these machines allowed Riverwood's revenue from the soft drink industry to nearly triple (to $157 million) and from the beer industry to nearly double (to $243 million).

While the Special Master did find nexus between the '806 patent and Riverwood's Twin-Stack machine but found that it was "insufficient", Riverwood believes that this finding is clearly erroneous and was based on an incorrect understanding of the law. The Special Master found sufficient nexus lacking because four other Riverwood patents showed features of the Twin-Stack machine and because the Twin-Stack machine was not the sole source of the commercial success. However, the fact that other patents show features of a commercial successful machine does not prevent a finding of sufficient nexus. In addition, ample testimony was presented at trial to show that the advantages of the Twin-Stack machine realized by customers were based directly on the use of the claimed three-stream cartoner with a barrel cam loader. Moreover, even if some of the

commercial success was due to the package design as Mead argues, the law does not require that the patented device be *solely* responsible for all of the commercial success.

Not to be discounted here is also the fact that Mead copied Riverwood's patented Twin-Stack machine. Although the Special Master recognized that the circumstances "would tend to support evidence of copying," he found that there was "no evidence that the Mead DuoStack was a copy of the Twin-Stack machine." The Special Master obviously required direct evidence of copying before allowing this secondary consideration to be found. The case law, however, allows copying to be proven by circumstantial evidence.

ARGUMENT

As this Court has stated many times, patents are born valid. "When, as here, the sole challenge is an allegation of obviousness, the presumption is that the invention would not have been obvious." *Panduit Corp. v. Dennison Manufacturing Co.*, 810 F.2d 1561, 1570, 1 U.S.P.Q.2d 1593, 1599 (Fed. Cir. 1987). In order to prevail, the challenger must prove invalidity of the relevant claims by clear and convincing evidence. *The Gillette Co. v. S.C. Johnson & Son, Inc.*, 919 F.2d 720, 722, 16 U.S.P.Q.2d 1923, 1926 (Fed. Cir. 1990). In this case — as the District Court correctly found — Mead failed to meet this considerable burden.

A. *The District Court Applied the Correct Legal Standard*

The cornerstone of Mead's attack in this appeal is an erroneous assumption that the District Court somehow

"stumbled" over the meaning and application of the statutory presumption of patent validity. Mead argues that the District Court required Mead to meet two clear and convincing thresholds. First, Mead says the District Court found that facts supporting obviousness had been proved by clear and convincing evidence. Then, says Mead, the District Court subjected the legal conclusion of obviousness to a second clear and convincing threshold. [Mead's Brief, p. 26] The text of the District Court's Order, however, clearly shows that the District Court properly considered the evidence against the appropriate standard.

Citing *Graham v. John Deere*, 383 U.S. 1, 148 U.S.P.Q. 459 (1965), the District Court noted that the ultimate determination of obviousness is one of law based on underlying factual determinations. [A3-A4] The Examiner, noted the District Court, had determined that the combination of a barrel cam loader with a three-stream device would not have been obvious. [A5] Thus, to overcome the presumption of validity, the evidence needed to show clearly and convincingly that this specific combination would have been obvious.

The Special Master never addressed in his Report the critical issue of whether the substitution of a barrel cam loader for an angulated guide in a three-stream cartoner would have been obvious, as whole, to one of ordinary skill in the art. Instead, the Special Master merely concluded that "the obviousness" would be "as apt" in a three-stream cartoner as in a two-stream cartoner. [A7] The District Court determined, however, that the *evidence* on the critical issue of employing a barrel cam loader in a three-stream cartoner was simply not clear and convincing. [A7] This was a proper application of the correct legal standard.

Appendix A

B. *The Invention Would Not Have Been Obvious to One of Ordinary Skill in the Art*

Despite the fact that Mead found the invention important enough to use in its 33 DuoStack machines, Mead argues that claims 1 and 13 would have been obvious in view of two references that were considered by the PTO during prosecution of the '806 patent. Mead's argument, like the Special Master's decision, fails to give proper deference to the Patent Examiner. Instead, Mead contends that this Court should look to how the invention was made, consider additional prior art showing certain "key pieces of information," and disregard the secondary considerations that were shown by the evidence. In addition, Mead relies heavily on Riverwood's stipulations at trial that all of the elements of the claimed invention were present in the prior art.

In this case, the evidence simply does not support Mead's position. The primary references that Mead asserts as rendering the '806 patent invalid — Langen '959 and Langen '077 — were actually considered by the Examiner. In addition, all of the examples cited by Mead (and the Special Master) to show the use of a barrel cam loader are two-stream cartoning machines. These include the Langen '077 patent, the LeBras '139 patent, and the Pillsbury machine. All of these two-stream machines came about long after the three-stream Langen '959.[14]

---

14. Moreover, as with many of the other factual findings, the Special Master merely concluded that the operation of the Pillsbury machine was "evidence" and not "clear and convincing" evidence. [A23, FF¶ 36] In fact, at the time of the '806 invention, the Pillsbury machine was no longer utilizing a barrel cam loading-type device to load individual cans into cartons. [A1457-A1459; A1464-A1466]

Appendix A

The cases that Mead cites do not support their position either. *Ryko Mfg. Co. v. NuStar, Inc.*, 950 F.2d 714, 21 U.S.P.Q.2d 1053 (Fed. Cir. 1991), for example, is easily distinguishable from the present case. The claim at issue in *Ryko* was directed to the combination of a "common" automatic car wash system and a keypad activation device. The keypad activation device was used in lieu of a mechanical coin box utilized in the prior art. Unlike *Ryko*, there is no evidence in this case that the three-stream cartoner of Langen '959 was "common." In addition, equipping the three-stream system cartoner of Langen '959 with a barrel cam loader mechanism would be far more involved than merely substituting a new activation device for an old one, and would result in an entirely new machine. If this were not the case, both Riverwood and Mead would have immediately gone to their ultimate three stream/barrel cam loader designs instead of first going through all the various alternative machines as described below. Presumably, it was not necessary to make any mechanical modifications to the actual car wash equipment in *Ryko* in order to substitute a keypad activation device for a coin box activation device.

Here, the prior art as a whole had clearly moved away from the concept of a three-stream device. The inventors of the '806 patent did not merely use a barrel cam loader, but also employed a three-stream concept that was out of favor in the art. The prior art must suggest the desirability of making the *combination* in order for the patent claims to be held invalid. *Alco Standard Corp. v. Tennessee Valley Authority*, 808 F.2d 1490, 1498, 1 U.S.P.Q.2d 1337, 1343 (Fed. Cir. 1986). Neither the original prior art considered by the Examiner nor the cumulative prior art advanced by Mead provides the necessary suggestion.

Moreover, it is *irrelevant* to the obviousness inquiry that "all of the elements of an invention may have been old (the normal situation), or some old and some new, or all new." *Environmental Design, Ltd. v. Union Oil Co.*, 713 F.2d 693, 698, 218 U.S.P.Q. 865, 870 (Fed. Cir. 1983). "Casting an invention as 'a combination of old elements' leads improperly to an analysis of the claimed invention by the parts, not by the whole." *Custom Accessories Inc. v. Jeffrey-Allan Indus., Inc.*, 807 F.2d 955, 959, 1 U.S.P.Q.2d 1196, 1198 (Fed. Cir. 1986). "Focusing on the obviousness of substitution and differences, instead of on the invention as a whole, is a legally improper way to simplify the often difficult determination of obviousness." *Gillette Co.*, 919 F.2d at 724, 16 U.S.P.Q.2d at 1927.

1. *Langen '959 Discourages One Of Ordinary Skill in the Art From Making the Claimed Invention*

Mead confuses the relevant inquiry by arguing that Langen '959 "itself indicated that a barrel cam loader could be used with a cartoner." [Mead's Brief, p. 37] Riverwood does not dispute that a barrel cam loader *could* be used with "a cartoner," because barrel cam loaders were shown in at least three of the cartoner patents considered by the Examiner during prosecution of the '806 patent.[15] Instead, the issue is whether the specific combination set forth in claims 1 and 13 *would* have been obvious, as a whole, to one of ordinary skill in the art.

---

15. The patents showing barrel cam loaders included Andersson '693 [A486-A494], Langen '077 [A517-A523], and Tisma '573 [A556-A573].

Appendix A

Contrary to Mead's position, Langen '959 would actually lead one of ordinary skill the art away from the arrangement of claims 1 and 13. The specification of Langen '959 contrasts its machine with prior art machines that employed a "complex escalator type mechanism" (which is equivalent to a barrel cam loader). [A460, col. 1, lines 46-60] Langen '959 explains that "[t]he use of stationary guide rails to guide the containers transversely of the conveyor also provides a substantial improvement over the elaborate escalator devices previously employed." [A463, col. 7, lines 26-29]

Where the closest prior art reference would "likely discourage the art worker from attempting the [suggested] substitution," substantial evidence of nonobviousness is provided. *The Gillette Co.*, 919 F.2d at 724, 16 U.S.P.Q.2d at 1927; *see also In re Fine*, 837 F.2d 1071, 1074, 5 U.S.P.Q.2d 1596, 1599 (Fed. Cir. 1988) (claim not invalid where primary reference "warns against rather than teaches" the claimed invention). Even if not considered a "teaching away" in the strict sense, "conventional wisdom that a combination should not be made is evidence of unobviousness." *Arkie Lures Inc. v. Gene Larew Tackle Inc.*, 119 F.3d 953, 958, 43 U.S.P.Q.2d 1294, 1297 (Fed. Cir. 1997); *see also Monarch Knitting Mach. v. Sulzer Morat GmbH*, 139 F.3d 877, 885, 45 U.S.P.Q.2d 1977, 1984 (Fed. Cir. 1998) (general skepticism of those in the art is relevant and persuasive evidence of nonobviousness).

In re Gurley is not to the contrary. This Court in *Gurley* recognized that "teachings away" are "significant factor[s]" for consideration in obviousness determinations when the "nature of the teaching" so dictates. *In re Gurley*, 27 F.3d

551, 553, 31 U.S.P.Q.2d 1130, 1132 (Fed. Cir. 1994). Here, the nature of the teaching from Langen '959 is that barrel cam loading-type mechanisms had been employed previously in two-stream cartoners and Mr. Langen invented a new cartoner (three-streams) which employed an improved angulated guide. This indicates that one looking to develop another three-stream cartoner would be discouraged from using a barrel cam loading mechanism. In addition, in *Gurley*, the Court recognized that Gurley's invention did not offer "improved properties". *Id.* Here, in contrast, numerous improvements result from the combination of a three-stream cartoner and a barrel cam loader.

Rather than following the applicable precedent, the Special Master concluded that statements in Langen '959 teaching against the use of a barrel cam loader are "a recognition of the obviousness of a barrel cam loader not evidence of unobviousness." [A40, CL¶38] This is simply a misinterpretation of the statements in Langen '959.

2. *Mead's Additional "Key Information" Is Merely Cumulative to the Art of Record*

Mead argues at page 20 of its Brief that the Examiner did not have "the benefit of several key pieces of information." The first two "key pieces of information," however, relate to stipulations made at trial by Riverwood about what Langen '959 teaches and about the resulting structure formed from a combination of Langen '959 and Langen '077. The remaining "key pieces of information" relate to art that was not before the Examiner, but there is no finding in the record of this case that the additional prior

art is more relevant than the art that was considered by the Examiner.

In order to ease the burden on the challenger to validity, any new prior art advanced in litigation must be *more pertinent* than the prior art that was considered by the PTO. *W.L. Gore & Assoc. v. Garlock, Inc.*, 721 F.2d 1540, 1553, 220 U.S.P.Q. 303, 313 (Fed. Cir. 1983). There has been no finding, and Mead cannot reasonably argue, that the "key information" is more relevant than the Langen '959 patent and the Langen '077 patent.

Mead finds remarkable Riverwood's stipulation that Langen '959 is a three-stream device having elements a through c of claim 1. Mead also attempts to make hay of Riverwood's stipulation that, if the barrel cam loader of Langen '077 were substituted for the angulated guide structure of Langen '959, the resulting arrangement would have all the claim elements.

These are not "remarkable" statements. "Virtually all inventions are combinations and virtually all are combinations of old elements." *Environmental Design, Ltd.*, 713 F.2d at 698, 218 U.S.P.Q. at 870. Riverwood's stipulations merely recognize that fact. In addition, because Langen '959 and Langen '077 were considered by the Examiner, it is presumed that he already knew the substance of the facts admitted by these stipulations. *See Applied Materials, Inc. v. Advanced Semiconductor Materials*, 98 F.3d 1563, 1569, 40 U.S.P.Q.2d 1481, 1485 (Fed. Cir. 1996), *cert. denied*, 520 U.S. 1230 (1997).

The third and fourth "key pieces of information" relate to prior art that was not before the Examiner when the '806 application was allowed. Mead is not relying on these additional references as forming the basis of an obvious combination, only as allegedly providing a teaching to combine Langen '959 and Langen '077. The record shows no basis for holding that this information is more material than the prior art of record during prosecution of the '806 patent, and the Special Master did not find that they were. Instead, the Special Master erroneously stated that the mere "existence" of prior art not considered by the Examiner made the challenger's burden easier to meet. [A38, CL¶32] *See W.L. Gore*, 721 F.2d at 1553, 220 U.S.P.Q. at 313 (requiring that the art presented at trial must be more pertinent than that considered by the PTO in order to ease the challenger's burden).

The additional prior art relied upon by Mead, i.e., LeBras '139 and the Pillsbury machine, both show two-stream cartoners where a barrel cam loader (or an equivalent escalator) has been employed. These references still lack the teaching that one of ordinary skill in the art at the time of the invention would have employed a cartoner having three-streams and a barrel cam loader. They are simply a teaching that a barrel cam loader could be utilized in a two-stream cartoner when an angled guide would not work properly to obtain the desired package. They do not suggest that one of ordinary skill the art would have chosen a three-stream cartoner to begin with and then equip it with a barrel cam loader.

Mead's other argument that "LeBras '139, which cited Calvert EPO '333, effectively disclos[ed] a three-conveyor

cartoner using a barrel cam loader" [Mead's Brief, p. 20] is apparently based on the Special Master's conclusion that the reference to Calvert EPO '333 in the background portion of LeBras '139 "would result in a three-stream system cartoner." [A38, CL¶30] This is wrong. Both Calvert EPO '333 and LeBras '139 are two-stream cartoners. In addition, there is no disclosure in LeBras '139 as to how a "third-stream" could fit into the LeBras '139 machine design.

The District Court properly recognized that the Examiner already believed the use of a barrel cam loader in a two-stream cartoner would have been obvious. [A5] It is hard to see how additional prior art showing this same thing would have made a difference.

In addition, Mead argues that the invention must be held obvious based on certain testimony of Mr. Thomas, Riverwood's technical expert. While Mr. Thomas did state that barrel cam loaders might be favored in certain instances, Mr. Thomas testified unequivocally that the *combination* of claims 1 and 13 would not have been obvious. [A311, p. 1484]. Thus, Mead's reliance on his testimony to support a finding of obviousness does not rise to the level of clear and convincing evidence.

Mead also contorts the holding of *B.F. Goodrich Co. v. Aircraft Braking Sys. Corp.*, 72 F.3d 1577, 37 U.S.P.Q.2d 1314 (Fed. Cir. 1996) in trying to find arguments for invalidating the '806 patent based on Mr. Thomas' statements. In *B.F. Goodrich*, the "inventor himself agreed, if [his inventive] thick/thin [disc brake] arrangement makes sense for an overhaul, it would seem to be logical to adopt it

ab initio". *B.F. Goodrich*, 72 F.3d at 1583, 37 U.S.P.Q.2d at 1319. In light of that admission, the invention was held to be obvious over a single reference showing the utilization of the thick/thin arrangement in a brake overhaul application. Unlike *B.F. Goodrich*, there is no evidence in this case that a barrel cam loader was ever utilized in any three-stream cartoner and there was certainly no admission of obviousness by any of the inventors.

3. *The Patent Office Found Claims 1 and 13 of the '806 Patent to be Unobvious To One of Ordinary Skill in the Art*

As discussed in detail above, the file history of the '806 patent shows that each of the individual elements set forth in claims 1 and 13 was disclosed in references before the Examiner. Among the references before the Examiner were the two patents — Langen '959 and Langen '077 — that form the basis of Mead's appeal and which Mead says "suggest the very substitution made by [the '806 patent applicants] in the '806 patent." [Mead's Brief, p. 11] Having reviewed all the prior art of record, the Examiner determined that the claimed combination would not have been obvious to one of ordinary skill in the art, even over Langen '959 and Langen '077.

The Examiner's decision to grant the '806 patent application is "evidence the court *must consider* in determining whether the party asserting invalidity has met its statutory burden by clear and convincing evidence." *Custom Accessories*, 807 F.2d at 961, 1 U.S.P.Q.2d at 1200 (quoting *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132,

1139, 227 U.S.P.Q. 543, 548 (Fed. Cir. 1985)) (emphasis added). This "presumption of administrative correctness of actions of the agency charged with examination of patentability" was ignored by the Special Master and is being avoided now by Mead. *See Applied Materials, Inc.*, 98 F.3d at 1569, 40 U.S.P.Q.2d at 1485. The District Court understood the implications of the Examiner's decision to issue the patent. As obviously also recognized by the District Court, the challenger's burden is *especially difficult* where one seeks to invalidate a patent based on prior art that was before the examiner during prosecution of the underlying patent application. *Hewlett-Packard Co. v. Bausch & Lomb, Inc.*, 909 F.2d 1464, 1467, 15 U.S.P.Q.2d 1525, 1527 (Fed. Cir. 1990).

Because all of the elements of claims 1 and 13 were present in prior art references considered by the Examiner, the prosecution history of the '806 patent is powerful evidence against Mead's position that it would have been obvious to substitute the barrel cam loader of Langen '077 for the stationary angled guide rails in the three-stream Langen '959 device when considering the prior art as a whole.

In reaching his erroneous conclusion that claims 1 and 13 were invalid for obviousness, the Special Master speculated that the Examiner simply did not review Langen '959 at the time the '806 application was allowed. [A27, FF¶51] In so doing, the Special Master overstepped the bounds of controlling authority and improperly substituted his own judgment for that of the Examiner. The lack of an express indication that a reference was again reviewed at the time of allowance does not mean that it was not so

reviewed. *In re Portola Packaging, Inc.*, 110 F.3d 786, 790, 42 U.S.P.Q.2d 1295, 1299 (Fed. Cir. 1997); *see also Windsurfing Int'l, Inc. v. AMF Incorporated*, 782 F.2d 995, 998-99, 228 U.S.P.Q. 562, 564 (Fed. Cir. 1986) (as a qualified government agency, the PTO is presumed to do its job even without an express statement that a particular point was considered). If the reference was before the Examiner, it must be presumed that he or she reviewed the reference before deciding to allow the claims. *Portola Packaging*, 110 F.3d at 790, 42 U.S.P.Q.2d at 1299.

The Special Master's substitution of his own judgment for that of the Examiner without deference to the clear and convincing standard was legal error.[16] The Special Master ignored substantial evidence that cut against the conclusion of invalidity that he ultimately reached.

4. *It is Improper to Use Development of an Invention as Evidence of Obviousness*

Perhaps recognizing the weakness of its case, Mead devotes considerable space in its Brief to a discussion of the manner in which the '806 invention came about. [Mead's Brief, pp. 15-18] Mead asserts that the several different designs considered by the inventors are, somehow, evidence that the claimed invention would have been obvious. In so

---

16. Even Mead does not go so far as the Special Master in presuming that the Examiner did not review Langen '959. Instead, Mead argues that the Examiner did not have the benefit of certain "key pieces of information." [Mead's Brief, p. 20] As discussed herein, all of this "key" information is merely cumulative to what the Examiner did consider.

doing, Mead perpetuates the legal error committed by the Special Master, who also used the way the '806 patented invention was made to negate validity. [A23 FF¶35; A38 CL¶31]

The last sentence of 35 U.S.C. § 103(a) states: "Patentability *shall not* be negatived by the manner in which the invention was made." (emphasis added) This statutory principle recognizes that "[m]ost technological advance is the fruit of methodical, persistent investigation." *In re Dow Chemical Co.*, 837 F.2d 469, 472, 5 U.S.P.Q.2d 1529, 1531 (Fed. Cir. 1988). As such, "[t]he invention must be viewed not with the blueprint drawn by the inventor, but in the state of the art existed at the time." *Interconnect Planning*, 774 F.2d at 1138, 227 U.S.P.Q. at 547. It is strictly improper to look to the knowledge gained as a result of the inventor's work, and then use that knowledge against its teacher. *Panduit Corp. v. Dennison Mfg. Co.*, 774 F.2d 1082, 1092, 227 U.S.P.Q. 337, 343 (Fed. Cir. 1985), *vacated on other grounds*, 475 U.S. 809 (1986).

While evidence regarding the way an invention came about cannot be used to "negative" an invention, there is no similar statutory restriction against using such evidence in support of an invention. Here, at least three prior and structurally different cartoners were seriously considered before the claimed invention was conceived.

The initial design was a *two*-stream machine utilizing fixed guide rails. [A99, pp. 218-19; A1014; A1793, pp. 34-35] Minnesota Automation, Riverwood's predecessor-in-interest, decided not to sell this machine due to concerns

that it might infringe Mead's Calvert '673 patent. [A106, pp. 259-60; A1796, p. 50]

The second design that was developed was also a *two*-stream structure, utilizing an infeed conveyor with flight bars cammed in from both sides to separate the articles into groups and using an angled guide rail to plow the articles into the carton from both sides. [A98-A99, pp. 214-217; A1733] This design was abandoned due to its complexity and cost, not because of any patent infringement concerns. [A99, p. 222]

The third design was also a *two*-stream structure utilizing cammed-in flight bars and a barrel cam loader. [A99, pp. 219-20; A1019] After Minnesota Automation became aware of Langen '077, it chose to steer clear of any potential infringement issue and decided not to sell this particular design. [A99, p. 220]

The machine set forth in claims 1 and 13 of the '806 patent was thus the fourth design conceived by the inventors and was the first and only machine that employed three streams.[17] [A99, p. 219] Contrary to Mead's improper argument, the development of the '806 invention is actually evidence of its nonobviousness. In a real world scenario,

---

17. Mead says that this fourth design was the "only remaining combination". [Mead's Brief, p. 18] No support exists for this statement in the record at trial. For example, flight bars are not the only means that can be used for selecting articles into groups — Nigrelli '551 utilizes pins to perform this selection. [A534-A536, col. 8, line 63 through col. 11, line 3] Moreover, in making this statement, Mead does not account for all of the various iterations that could have been made to cartoning machines.

Riverwood's own designers did not initially adopt the ultimate patented design, but made several attempts to provide the market with a suitable machine.

Irrespective of what happened at Riverwood, the evidence showed that Mead also considered and abandoned several alternatives before arriving at its ultimate commercial embodiment which infringed the '806 patent. At Mead, there were many "different things that were thought about, toyed over, either looked further into or just passed over." [A150, p. 520] Numerous different designs were considered before deciding on the design of the DuoStack machine. [A1935, p. 41] Among the designs considered, but not adopted, by Mead included (1) modifying Mead's existing two-stream DuoDozen machine;[18] [A150, p. 521; A1935-A1936, pp. 41-42] (2) using a vacuum system to lift one layer of cans and deposit them on top of another layer of in-line cans instead of using the article selecting conveyor; [A151, p. 522; A1936, pp. 43-44] (3) using a vacuum system to lift and deposit one group of cans on another group beside the first group instead of using the article selecting conveyor; [A151, p. 523] (4) using a cluster-pack arrangement instead of pushing individual cans into open carton sleeves (this is basically what is shown, at least in part, on the Pillsbury machine); [A151, pp. 523-524; A1936, p. 42] and (5) a proposal by Mr. LeBras, a French engineer employed by Mead, who was concerned that Mead not "follow what RIVERWOOD is doing." [A1635-A1637; A1704, p. 47 (emphasis added)]

---

18. The DuoDozen machine is the commercial embodiment of the machine shown in Calvert '673. [A157, pp. 562-563]

Instead of using one of these alternative machines, Mead chose to adopt a machine that infringed Riverwood's '806 patent. By completely disregarding this evidence, the Special Master again committed legal error.

5. *The Special Master Improperly Discounted Riverwood's Substantial Evidence of Secondary Considerations*

When present, evidence that the invention was commercially successful, or solved a long-felt but unsolved need, or was copied, or that others had attempted to create the invention but failed, must be considered in determining the obviousness of an invention. *Custom Accessories*, 807 F.2d at 960, 1 U.S.P.Q.2d at 1199. In addition, the replacement of prior art machines by the invention can also be considered in determining the obviousness of an invention. *Kansas Jack v. Kuhn*, 719 F.2d 1144, 1150, 219 U.S.P.Q. 857, 861 (Fed. Cir. 1983). These real-world factors "can be the most probative evidence of nonobviousness in the record." *Custom Accessories*, 870 F.2d at 960, 1 U.S.P.Q.2d at 1199.

In this case, the Special Master improperly considered the issue of obviousness separate and apart from, and *before*, the secondary considerations were considered. [A42, CL¶¶ 48-50] Once the Special Master had decided that the invention would have been obvious, he then looked to the secondary considerations to determine if they would "overcome" his conclusion. [A42, CL¶ 50] In doing so, the Special Master showed a fundamental misunderstanding of the law governing secondary considerations.

> [T]he determination of obviousness, *vel non*, requires that all of the evidence be considered *together*. . . . The objective evidence of unobviousness is not evaluated for its "separate knockdown ability" against the "stonewall" of the prima facie case, *In re Rinehart*, 531 F.2d 1048, 189 USPQ 143 (CCPA 1976), but is considered *together with all other evidence*, in determining whether the invention as a whole would have been obvious to a person of ordinary skill in the field of the invention.

Applied Materials, 98 F.3d at 1570, 40 U.S.P.Q.2d at 1486 (emphasis added). Once again, the Special Master committed legal error in evaluating the obviousness of the claimed invention.[19]

While the ultimate result of the Special Master's error was corrected by the District Court's Judgment, Riverwood believes that this error may have caused the District Court to improperly discount the substantial evidence of secondary considerations. If this Court decides that the District Court misapplied the clear and convincing standard, then Riverwood believes that at least the following factual findings should have been made by the Special Master.

---

19. Mead's Brief includes this same faulty analysis in that it addresses the issue of secondary considerations after arguing that the invention would have been obvious, rather than considering such evidence as part of the obviousness inquiry. [Mead's Brief, p. 43]

a. *Riverwood Proved a Sufficient Nexus Between the Merits of the Invention and the Invention's Enormous Commercial Success*

For commercial success to be relevant to the obviousness determination, a patentee must establish a nexus between the claimed invention and the commercial success. *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1579, 42 U.S.P.Q.2d 1378, 1384 (Fed. Cir. 1997). A "nexus" is a "legally and factually sufficient connection between the proven success and the patented invention." *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392, 7 U.S.P.Q.2d 1222, 1226 (Fed. Cir.), *cert. denied*, 488 U.S. 956 (1988). The patent owner establishes a prima facie case of nexus by showing that the patented machine is commercially successful, and that it is covered by the patent claims in suit. *Id.*

Riverwood established a prima facie nexus in this case. The Twin-Stack machine has been commercially successful, and the Twin-Stack machine is admittedly covered by claims 1 and 13 of the '806 patent. [A27, FF¶52] In addition, the Special Master acknowledged that at least part of the commercial success of Riverwood's Twin-Stack project was due to the machine itself.[20] [A27, FF¶52] Because the Special Master believed that other factors such as the package design also contributed to the commercial success, he concluded that there was not a "sufficient" nexus between the claimed

---

20. Mead erroneously implies that the District Court found that all of the commercial success was due only to the package design and the use of a dividing pad. [Mead's Brief, p. 45]

subject matter and the commercial success. [A27 FF¶52; A42 CL¶50]

"It is not necessary, however, that the patented invention be *solely* responsible for the commercial success, in order for this factor to be given weight appropriate to the evidence, along with other pertinent factors." *Continental Can Co. USA Inc. v. Monsanto Co.*, 948 F.2d 1264, 1273, 20 U.S.P.Q.2d 1746, 1752-53 (Fed. Cir. 1991) (emphasis added). The *Demaco* case does not support Mead's argument to the contrary. *Demaco* does not say that commercial success "cannot be employed as evidence of non-obviousness" when the commercial success is a "by-product of various factors". [Mead's Brief, p. 44] Instead, "[o]nce a prima facie case of nexus is made the court must consider the evidence adduced on both sides of the question, with such weight as is warranted." *Demaco Corp.*, 851 F.2d at 1393, 7 U.S.P.Q.2d at 1227. "When a prima facie case is made and not fully rebutted, the district court may *not* totally ignore the objective evidence." *Id.* (emphasis added) That is what the Special Master did and it is what Mead desires this Court to do now.

Here, the testimony at trial clearly established that a substantial part of the commercial success of the Twin-Stack machine was *due to the merits of the invention*. As noted above, extensive evidence was presented regarding the benefits that are achieved with the combination of a "three-stream machine" and a barrel cam loader.

In addition, several of the factors believed by the Special Master to undercut Riverwood's prima facie showing of nexus are either clearly erroneous or should not have been

considered as a matter of law. For example, the Special Master found:

> Much of the commercial success of the Riverwood Twin Stack cartoner can be attributed to a development agreement entered into with Pepsi-Cola, who funded the development in return for which Riverwood granted rebates on cartons to Pepsi-Cola and an exclusive option on a first number of cartoners for use in the soft drink industry. [A28, FF¶54]

This finding, however, is at odds with the only evidence presented at trial regarding the so-called "Pepsi agreement."

According to the agreement, Pepsi paid Riverwood an advance of $75,000 to *accelerate* development of the Twin-Stack machine. [A1070-A1073; A279, p. 1290] In return, Pepsi received an option on a certain number of the first Twin-Stack machines for the soft drink industry only. [A1070-A1073; A279, p. 1290] If Pepsi decided to lease the machines, it would receive a credit against the lease fee then due. [A1070-A1073] Another *separate* agreement guaranteed Riverwood 100% of sales of cartons to be run on the machines for a six-year period of time. [A279, p. 1290-1291] This separate agreement contemplated that rebates could be given to Pepsi in some circumstances, based on a variety of factors. [A279, p. 1291]

These agreements clearly indicate that the Twin-Stack machine, itself, was commercially successful, not that the success was due to any agreement with Pepsi. In fact, this

evidence demonstrates Pepsi's belief that the machine was to become an important part of its business. That belief later became a reality.

That a customer of Riverwood desired the invention, and was willing to pay for receiving certain options to speed up its opportunity to use that invention, substantiates the fact that the invention has merit. If the Twin-Stack machine had not performed satisfactorily, it is likely that Riverwood would have lost the Pepsi business. *See Litton Systems, Inc. v. Honeywell Inc.*, 87 F.3d 1559, 1570, 39 U.S.P.Q.2d 1321, 1327 (Fed. Cir. 1996) (finding that although a lucrative contract was acquired at a time when the prior art was being used, there is a "reasonable inference" that the contract would have been lost without the invention), *vacated on other grounds*, 520 U.S. 1111 (1997). Instead of losing the Pepsi business, Riverwood's market share at Pepsi actually increased from about 10% to greater than 80-82% because of Riverwood's success with the Twin-Stack machine. [A278, p. 1282]

In addition, the Pepsi-Cola agreement has absolutely no bearing on the success of the Twin-Stack machine in the beer industry. Riverwood nearly doubled its annual gross revenue from the beer industry during the four-year period after introducing its Twin-Stack machine. [A277, p. 1279] Thus, even if it could be argued that the Pepsi agreement discounted the commercial success of the patented Twin-Stack machine in the soft drink industry, that agreement would have had no similar effect in the beer industry where Riverwood also enjoyed abundant commercial success.

Appendix A

The Special Master erroneously focused only on Riverwood's Twin-Stack machine, and ignored the contribution of Mead's infringing DuoStack machine to the secondary considerations in this case. The law, however, requires that activities of their infringer also be considered. *Litton Systems*, 87 F.3d at 1569, 39 U.S.P.Q.2d at 1327 (noting that both plaintiff and defendant enjoyed commercial success with the patented invention); *see also Truswall Systems Corp. v. Hydro-Air Eng'g Inc.*, 813 F.2d 1207, 1215, 2 U.S.P.Q.2d 1034, 1041 (Fed. Cir. 1987) (Rich, J., dissenting) ("[O]nce an infringer is sued and proved to be an infringer, its sales are appropriately proved and added to the others." (emphasis in original)). Here, Mead's infringing DuoStack machine also was commercially successful and replaced a number of prior art machines. [A1655-A1667]

The Special Master also concluded, erroneously, that "the Twin Stack cartoner incorporated features that were not within the scope of the '806 patent but rather were within the scope of four other Riverwood patents." [A27-A28, FF¶52] In actuality, evidence was presented at trial that features *shown* in several other patents were included in the Twin-Stack machine. [A280, pp. 1294-1298; A1505-A1507; A706-A712; A1509-A1512; A713-A723; A1542-A1543; A731-A751; A1545-A1546; A1549-A1551; A752-A760; A1560-A1561; A761-A786; A1576-A1577; A813-A828; A1584-A1585; A787-A812] The '806 patent is directed to the overall machine concept, not to a particular component of the machine. In contrast, each of the features relates to either a component or an embodiment of a machine built in accordance with the '806 invention. There is no evidence that any of these features, in and of themselves, are solely or

primarily responsible for the commercial success of the machine. Instead, the testimony is that the overall machine, including its features, is the reason for the commercial success. Furthermore, there was absolutely no evidence that the inventions of these other patents were not "within the scope of the '806 patent." Where a successful machine embodies the claims of multiple patents, "all are entitled to the benefit of the overwhelming success to which each has contributed." *Panduit*, 774 F.2d at 1100, 227 U.S.P.Q. at 349.

b. *Riverwood Produced Significant Evidence of Copying by Mead*

Regarding the secondary consideration of copying by the infringer, the Special Master found:

> Mead has developed and marketed a cartoner incorporating the subject matter of claims 1 and 13 of the '806 patent, which it markets under the name DuoStack. There is evidence that Mead was aware of development of Riverwood's Twin Stack cartoner, which would tend to support evidence of copying. However, there is no evidence that the Mead DuoStack was a copy of the Twin Stack cartoner. [A28, FF¶53]

Thus, even though Mead used Riverwood's invention, and even though evidence was present that "would tend to support evidence of copying," the Special Master believed that there was no evidence that Mead had copied Riverwood's patented machine. Apparently, the Special Master believed that evidence supporting an inference of copying could not be

considered unless there was also direct evidence of copying. This was legal error. There was evidence of copying.

Circumstantial evidence of copying is, in and of itself, competent evidence that copying occurred. *Century Wrecker Corp. v. E.R. Buske Manufacturing Co.*, 913 F. Supp. 1256, 1273 (N.D. Iowa 1996). The Plaintiff must show only that the general concept embodied in the claims was copied, not that the infringer slavishly copied minor and unclaimed details. *See Stryker Corp. v. Intermedics Orthopedics, Inc.*, 96 F.3d 1409, 1414, 40 U.S.P.Q.2d 1065, 1068 (Fed. Cir. 1996) (in context of willful infringement finding, "slavish copying" to prove copying is not required); *see also Vandenburg v. Dairy Equipment Co.*, 740 F.2d 1560, 1567, 224 U.S.P.Q. 195, 199 (Fed. Cir. 1984) (court rejected evidence of copying where the facts showed basic concept of the invention had been developed independently by the infringer).

The evidence presented at trial provides substantial and compelling evidence that Mead's DuoStack machine is a copy of Riverwood's patented Twin-Stack machine. Many of Mead's employees had a copy of a drawing of a Riverwood Twin-Stack machine prior to Mead finalizing the design for the DuoStack machine. [A1598; A156-A157, pp. 555-559; A1930, p. 18; A1702, p. 37; A1703, p. 41; A1726, pp. 54-55; A1868-A1869, pp. 38-40; A1914, p. 73] In addition, an internal memorandum authored by one of Mead's engineers warned Mead to "not follow what RIVERWOOD is doing". [A1635-A1637; A1704-A1705, pp. 47-52 (emphasis in original)] In the memorandum, Mr. LeBras proposed a two-stream design having angulated guide rails, which Mead did

not use. [A1635-A1637] Instead, Mead proceeded with a machine that was structurally very similar to the Riverwood Twin-Stack machine and which was an infringement of the '806 patent.

Furthermore, the activities of an individual named Joe Borocz point to copying by Mead. Mr. Borocz was an employee of Riverwood when the Twin-Stack machine was being developed. In fact, Mr. Borocz, in his position as director of marketing for Riverwood, had complete and total responsibility for the development of the Twin-Stack project, including responsibilities for interfacing with the packaging design group, the machinery engineering group, the sales groups, the marketing group, the legal group, and customers. [A276-A277, pp. 1272-1273, 1275-1276]. During his employment at Riverwood, Mr. Borocz was totally involved in all aspects of developing the Twin-Stack package and machine. [A276, p. 1273; A1675-A1676]

In September 1992, Mr. Borocz left Riverwood and immediately began working for Mead. [A1815, p. 16] At Mead, he quickly became responsible for the introduction and commercialization of Mead's competing DuoStack project. [A1921, p. 101] Shortly after joining Mead, Mr. Borocz, in fact, attended a meeting in Mead's office in France during which he described the structure and scope of the Riverwood Twin-Stack machine to Mead's engineers in attendance. [A1634] In addition, during this meeting, Mr. Borocz informed Mead employees that a patent application had been filed on the mechanical concepts embodied in the Twin-Stack machine. [A1634; A1700, pp. 30-31; A1703-A1705, pp. 42-46, 48-50] Thus, Mr. Borocz clearly informed

Appendix A

Mead's designers about Riverwood's design at a time when Riverwood's design was confidential.

Moreover, prior to Mr. Borocz leaving Riverwood, the intended design for the Twin-Stack machine included an overhead structure located at the top of the machine and positioned over the location where the cans would be after they had been stacked in layers. [A293, pp. 1374-1375; A1598] This overhead structure was known as a "nesting compression belt". [A293, pp. 1374-1375; A 1598] After Mr. Borocz left Riverwood, Riverwood decided not to use this overhead structure in designing its Twin-Stack machine. [A293, pp. 1375-77] The "overhead compression belt" is on the floor plan of the Riverwood machine that Mead had in its possession and Mead included a similar structure on its DuoStack machine. [A1598; A1621; A157, pp. 560-562; A1856, pp. 180-81] Mr. Borocz testified that the overhead structure on the Mead machine was a "compression" mechanism, but that it was unnecessary to the operation of the DuoStack machine. [A1856, pp. 180-182] In fact, Mr. Borocz requested Mr. Culpepper to remove the overhead structure to streamline the appearance of the DuoStack machine. [A1856, pp. 180-181] This evidence clearly supports the inference that Mead copied Riverwood's patented machine. The Special Master's finding to the contrary is clearly erroneous.

c. *Both the Twin-Stack and the DuoStack Machines Replaced Prior Art Mead Machines at Customer Locations*

The evidence presented at trial showed that many of Riverwood's 100 Twin-Stack machines and Mead's 33 infringing DuoStack machines replaced prior art Mead machines that had been in customers' facilities. [A1661-A1666; A1856-A1857, pp. 182-184] The replacement of prior art machines by machines embodying the invention is evidence that the invention would not have been obvious. *Kansas Jack*, 719 F.2d at 1150-51, 219 U.S.P.Q. at 861. This factor, like commercial success and copying, should have been considered by the Special Master as part of the obviousness inquiry, instead of considering whether such factors would "overcome" the obviousness of the invention.

CONCLUSION

After reviewing the record from trial, it should be clear that the District Court's judgment that the '806 patent had not been proven invalid should be affirmed. The claimed invention is, as found by the Patent Examiner, an unobvious combination that combines a three-stream cartoner with a barrel cam loader. Mead has not demonstrated on this Appeal that one of ordinary skill in the art would have chosen a three-stream cartoner from the prior art at the time of the '806 invention and then equip that prior art cartoner to replace the angled guides with a barrel cam loader. Accordingly, the District Court's judgment should be affirmed.

Appendix A

Respectfully submitted,

s/ Wellington M. Manning, Jr.
WELLINGTON M. MANNING, JR.
NEIL C. JONES
CRAIG N. KILLEN
DORITY & MANNING
700 EAST NORTH STREET,
SUITE 15
GREENVILLE, SC 29601
(864) 271-1592

Attorneys for Plaintiff-Appellee, Riverwood International Corporation

APPENDIX B — TRANSCRIPT OF ORAL ARGUMENT OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DATED FEBRUARY 9, 2000

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

99-1274

RIVERWOOD INTERNATIONAL CORPORATION,

Plaintiff-Appellee,

– against –

THE MEAD CORPORATION,

Defendant-Appellant.

February 9, 2000

Audiotape Transcription of
ORAL ARGUMENT

BEFORE:

CHIEF JUDGE MAYER
CIRCUIT JUDGE SCHALL
CIRCUIT JUDGE GAJARSA

* * *

Appendix B

[3] THE COURT: The next case is No. 99-1274, Riverwood International Corporation v. The Mead Corporation.

Mr. Coll?

MR. COLL: Good morning, your Honor.

If it please the court, we bring this appeal from a judgment — a portion of a judgment entered by the Northern District of Georgia. That portion of the judgment that found that patent Ziegler 806 was valid and was not valid under 103 obviousness standards. Now, this case was not tried though before Judge Moye in the Northern District. This case —

THE COURT: I apologize. One procedural question. It's up here on the basis that the judge granted summary judgment, correct?

That is what he granted, correct? It says he granted summary judgment.

MR. COLL: No.

What happened here, your Honor, [4] was that the case was tried — it was a plenary trial —

THE COURT: I understand. It was before the special master.

MR. COLL: Before the special master. And then a recommendation was made by the special master which

would constitute as it should, special findings of fact and conclusions of law. Upon receipt of those findings of fact, and conclusions of law, the parties made their various objections with regard to those findings.

Judge Moye accepted all of the findings of fact without qualification, without exception. He indeed praised the ability and the breadth and thoroughness of those findings of fact.

However, he rejected one conclusion of law. He accepted the conclusions of law that related to infringement, that related to anticipation, that related to (inaudible.)

[5] THE COURT: I understand that. But it says in A9 he entered partial summary judgment.

I agree that — I was just trying to see, you are absolutely right. It seemed to me that, I was wondering why does he say entering partial summary judgment. Obviously you would have thought he would have said I accept the findings of fact but come to a different legal conclusion.

MR. COLL: I'm sorry. Your Honor, your reference was?

THE COURT: A9. The addendum. It says — well maybe that is just a mistake.

MR. COLL: I think that the order is fashioned or the judgment is fashioned because of the fact that the case still has a portion to be tried. It was bifurcated. And the damage portion has yet to be tried. Therefore it was what was tried what the liability issues and then those [6] liability issues

were entered as final judgment in order to allow that appeal to occur here.

THE COURT: I agree the way you laid out the case. I just couldn't understand why it said summary judgment. But you've cleared it up.

MR. COLL: That happens to be the circumstances.

In any event, at the time of the recommendation was made, the patent holder, the patentee, had to object to a dozen and a half findings of fact in order to make it's argument that the patent — the invention was (inaudible) none of those 18 objected to findings of fact were in any way modified or rejected by Judge Moye.

Instead, what Judge Moye did was in — he appeared to be stymied, for lack of a better word, by the presumption of validity and the presumption of administrative regularities.

[7] This patent had obviously been granted, some of the prior art was before the special master had been before the examiner. And upon that he found, despite the fact that he had already accepted all of the evidentiary findings, all of the findings of fact, as being established on clear and convincing evidence, he found that the conclusion as to obviousness wasn't clear and convincing. That's not the standard.

It is our position on appeal — it was our position before him, that that factual record that he had established could lead but to one conclusion on obviousness, and that is that it wasn't obvious, and it was invalid under 103.

Appendix B

-Now, what this patent relates to is a cartoning machine, a large automatic machine that loads bottles, cans or other articles into cardboard containers. And the issue here boils [8] down to a fairly simple statement. There were there are two-stream cartoners and there are three-stream cartoners.

There is a history and there is testimony that fixed angle guides, which is the old loading device, and barrel cam loaders have been interchangeable for sure in two-stream devices.

The question was did the art, did the prior art, teach the desirability of combining the barrel cam loader in a three-stream device. And there is a particular finding in there that is interesting. Because the way these machines work is, and the way it is defined in this patent the claim is described in this patent; stream No. 1 is the conveyor that brings the articles, the bottles and cans, into the machine; stream No. 2 is that conveyor that selects, that is puts the cans into the requisite number that [9] will go into the carton; stream No. 3 is the carton. And it is when the articles have been selected into the requisite number and the carton is now parallel with it that the force — either the angle guide or the barrel cam loader pushes or directs the cans into the carton.

The finding that it's apt, and it is the one that says it is apt, that because at the time that the loading, in fact, occurs there are only two streams in operation: The stream with the selected articles, the stream with the cartons, and then the barrel cam loader or the angle guide directs or pushes.

We have, at trial, established to the satisfaction of the master, and apparently upon the confirmation of that portion

of the report, to the satisfaction of the judge, that three-stream and two-stream were common, well known, and used in the [10] industry in the art.

The barrel cam loader and angle guides were interchangeable. Indeed a piece of art, prior art, that was before the court, and before the master, was the item called the Pillsbury machine which not only showed that one could sit down when one made a machine and decide well do I want to put a barrel cam loader on it, or put an angle guide on it. What that piece of prior art said is that I can put them both on the machine and then depending on the day I'll use whichever one I wish.

THE COURT: Doesn't Langen-959, in fact, mentions cam loaders, doesn't it? It says that there are cost disadvantages, doesn't it, but it does mention them in a setting.

MR. COLL: It mentions it not only in the setting of an automated cartoner, it mentions them as — if one reads the language in its plain [11] meaning, that they can be used — what it says is there is an expense attendant to the manufacture of it, and there is an expense attendant to the maintenance of it.

I mean, that doesn't teach away. In fact, that teaches the desirability. Because what it says is, and what much of the other prior art says, there are advantages to the barrel cam loader that are not available in the angle guide relating to the pressure, the ability to push the cans in an affirmative fashion into the box, rather than having an angle guide that just directs it into the box.

THE COURT: You get a snugger fit.

MR. COLL: Snugger fit. Better fit and depending on the size or the shape of the container maybe an easier fit because of the way it pushes them rather than let them stack up against each other.

[12] So, we have before the examiner were two pieces of art that are at play here. That is Langen-959 and Langen-077. We had now at trial, LeBras, the Calvert European patent, the Pillsbury machine, and very importantly the admission of Mr. Zeigler, the co-inventor, who says that yes, three-stream art, two-stream art is well known. There is a suggestion — my mouth's getting a little dry — excuse me. There is a suggestion in the briefs that three-stream art has somehow become obsolete, gone out of favor, disappeared. Whether or not that is the case it's legally irrelevant, but it wasn't the case and Mr. Zeigler spoke about it in his testimony. We have Mr. Thomas who is a technical expert who testified on behalf of the appellee that it did teach — it was suggested that the, desirability was suggested, of combining these two [13] features if there was a reason. The reasons were avoiding infringement, nature of the containers, and positive push, all of which were reasons that came into play here.

So we have those admissions — and that Pillsbury machine, the LeBras patent, the EPO333 and these admissions obviously weren't before the examiner, and, therefore the Judge's sort of feeling chained to those presumptions was not appropriate.

THE COURT: Why don't you just take a pause, and take a sip.

MR. COLL: I will if you don't mind. I'm sorry.

THE COURT: We won't count that time against you.

MR. COLL: Excuse me. I'm into my rebuttal time I just want to — the other thing on this appeal, the Appellees do a lot of flanking and sort of lateral attacks on the basic factual findings except for the secondary [14] considerations. And those they have to take head on. Because they recognize that on that record a presumption of, I'm sorry, a prima facie case of obviousness was made. And under the law they had to come up to rebut that with the secondary considerations. And they failed on every one of the secondary considerations, and as a result of that they have to take those on in their brief and they have. That is — and they have not shown what is necessary to overturn any of them. And that is an evidentiary record that says to you that you should have a clear and firm conviction that a mistake was made on those secondary considerations.

I'll sit down now and use my time later. Thank you.

THE COURT: Mr. Manning?

MR. MANNING: Thank you, your Honor.

May it please the court. What we really have here is a situation where [15] Judge Moye after listening to the objections that were filed as to the master's report looked at

the matter and he says that the findings of fact on the critical issue were not adequate. The critical issue is, as counsel stated, the question of the three-stream device.

Now, in this three-stream device, putting this into the real world scenario, these machines are big machines. These machines are fast machines. And they must be accurate machines. By way of example, in a soft drink plant or in a beer plant, they will package bottles or they will package cans and looking at the normal industry speeds, what we are talking about, your Honors, is a machine that during the time that I'm allotted here today, it will pack 36,000 cans. That is a huge number of cans. And if one falls, or one topples, it stops. So, these machines have to be accurate.

[16] And particularly in their briefs Mead would have you believe — the special master, in fact, stated that the inventors of the 806 patent simply went from the angle guide, which they dropped because of a patent infringement scenario, to the barrel cam loaders, but that's not true. And, in fact, both parties include in their briefs what did happen.

It was the fourth scenario when the 806 inventors came up with what is now the patent that is before this court.

The first time they came up with a two-stream device where the cans fit in into both sides which is typical for a two-stream device, where they were loaded into the cartons with the angle guides. Mead threatened with patent infringement. They said okay we won't do that.

The second trial was similar except that also a two-stream device, [17] they used flight bars that cammed in from

the sides to separate this pay load that goes into the carton, and still loaded into the carton with an angle guide. They felt that the complexities of that machine were too great for the marketplace, and so they abandoned that trial.

The third trial, they still were with a two-stream device came straight into the machine with the cans, cammed in the flight bars to separate the cans into the payloads, and then pushed with what we call the barrel cam loader.

They then found the Langen-077 patent, and counsel advised them not to make that, so they dropped the third iteration.

So it was four iterations. So in a real world scenario not the first, not the second not the third but it was the fourth try when these inventors came up with this invention. That speaks to nonobviousness.

[18] Secondly, Mead did the same thing. They went through five to seven iterations, before they came up with what has been adjudged as the infringing structure.

Now they had advantages for doing that. They had for example as is set forth in the brief they had one of our employees. They knew what we were doing. They had an employee from Riverwood that, in fact went to France, the evidence shows and told them what we were doing, Mr. Borocz. They had the situation where they started with a two-stream device as well, and after these five or so iterations came up with the infringing structure.

Appendix B

THE COURT: Mr. Manning, what you are reciting, for the record, is this relating to secondary considerations in some way?

MR. MANNING: I think it does show that, your Honor. I think it does two things.

[19] THE COURT: Because, let me just ask one question. As I read the briefs, and correct me if I am wrong, the sense I had was that in terms of the findings of fact with the special master that were then adopted by the District Court, the only area in which you challenge the findings is on the secondary considerations; is that correct?

I mean, it didn't seem to me that there was a real challenge to any of the fact findings of being clearly erroneous, except in the area of secondary considerations. Like you don't challenge what the prior art teaches, but you do challenge secondary considerations — now the findings, am I right or wrong on that?

MR. MANNING: You are right on a big part your Honor, but —

THE COURT: Pardon?

MR. MANNING: — not totally.

THE COURT: Where is the [20] challenge outside of the area of secondary considerations?

MR. MANNING: Well, for example, we believe that clearly from the face of the 959 patent that is teaching away,

the fact that it mentions an escalator is a complex mechanism. That is not a mention of an escalator in a three-stream device. That is nothing more than saying these are things that have been used in the past.

THE COURT: You are saying Langen-959.

MR. MANNING: Langen-959. That is one area, your Honor.

Second area that we think that — in each of these prior art references that were mentioned, LeBras, Pillsbury and the European 333, we think there are flaws in each of those findings.

We do not believe that they are general teachings of substitutions of a barrel cam loader for an angle guide, but instead are specific for a [21] particular reason and, in fact, are all two-streamed as well.

THE COURT: But doesn't the 959 patent disclose the barrel cam?

MR. MANNING: It discloses in the background as having been used in the past.

THE COURT: But it is disclosed as prior art, isn't it?

MR. MANNING: It is disclosed as prior art, that is correct.

THE COURT: Now, let me ask you a hypothetical question.

Appendix B

If I have a patent which I disclose using red wire and blue wire. I say the blue wire is too expensive, but I disclose it in my patent and five years later after the patent issues, the blue wire becomes cheaper than the red wire, and then somebody else files a patent application for the blue wire, should that patent issue?

MR. MANNING: No, sir.

THE COURT: Because it's [22] disclosed in the prior art.

MR. MANNING: Yes, sir.

THE COURT: Isn't that the case here?

MR. MANNING: No, sir. Not in my opinion.

If you look to what the Langen-959 patent says, it is talking about what has been used in the past.

It does not say that a barrel cam loader has been used in the past in a three-stream device. And, in fact it refers in the body of the specification to an earlier Langen patent, 068 patent. And in that 068 patent, there is such an escalator shown that's in a two-stream device.

So, what Mr. Langen is talking about in that patent is sure these things have been used before in a two-stream device. They were in use. But never in this particular combination. Never with a three-stream device.

[23] THE COURT: What about the combination of the two Langen patents, the 077 and the 959?

MR. MANNING: Well, what you are doing there is going through it quickly. And Langen-959 is a three-stream device, Langen-077 is a two-stream device. And we think that the real world again, speaks to that. They are both Mr. Langen's. And if you look at what happened after this machine, the 806 machine, went to the marketplace, it would seem Mr. Langen, had it been obvious, would not have gone back to the two-stream device. He left the three-stream concept that he had in the 959 and when he went to the 077 he went to a two-stream device where he has the cammed-in flight bars, he has the cans coming straight in, or the bottles, and the barrel cam loader. So we think that it's instructive that he himself went away from the 959. So we don't see that as any suggestion or [24] teaching to make the combination. And obviously our position is, your Honor, that neither did the examiner. Because he had both the 959 and the 077 before him, in fact, they are both mentioned in the specification of the 806 patent. And they were both set forth in an IDS to the patent office. And copies of each patent were given to the examiner. So, we do not believe to that combination — we don't think it renders it obvious. There is no question. And we admit that if you add a barrel cam loader, then you've got the four elements. But we don't believe there is a teaching to do that. And there is a big distinction in the market as far as we are concerned between the three-stream and two-stream. We think the marketplace has borne that out.

We, in fact agree with Judge Moye that the evidence presented at trial fails to show the obviousness based on [25] this critical issue of the three-stream device.

And Mr. Coll said that three-stream cartons are well known. Not true. The only evidence before this court of the three-stream cartoner is Langen-959. Every other patent and the Pillsbury machine are two-stream devices. The art had gone totally away from that. And so, if you really look to the art as a whole as to what it would teach one of the ordinary skill it would teach them that a two-stream is the way to go in the first place. Now —

THE COURT: All of the findings of the master, of significance, were sustained by the District Court, right?

MR. MANNING: Yes, sir.

THE COURT: Well, do you agree that it's our duty now to take a look at those findings and come to a conclusion ourselves as a matter of law whether obviousness has been —

[26] MR. MANNING: Well my understanding is that — I'm sorry, our Honor.

My understanding is that you do the review de novo, and that in looking at whether or not Judge Moye was right, I think yes you have to look at those. And we have set forth in our brief where we feel that there is clear error in the particular factual findings. The most egregious perhaps is in the commercial success and in the copying. And of course

using the iterations that I mentioned that Mead went through, we consider those as failures of others. Everything you look at in this case shows that it was not obvious. And when these products hit the marketplace, by 1994, according to the list of placements in the record there were 64 of these machines, and they lease at our cost for $430,000 and you can see that is quite an amount. The evidence at trial was 133 machines, [27] that's $59 million dollars worth of machines.

THE COURT: Is there any evidence in the record below that you can point to that shows, in fact, that the commercial success was attributable to the invention?

MR. MANNING: I think so, your Honor, by way of testimony. Gordie Wilkinson testified at trial based upon the Twin Stack machine which is Riverwood's machine, that these successes occurred. And he mentioned 100 Riverwood machines, 33 Mead machines. And, of course, the Mead machines were not considered at all by the special master. And he said they were a result of the Twin Stack machine, and of course the special master said that the Twin Stack machine was commercially successful. He also said it embodied the 806 invention. Which according to our understanding is nexus, the prima facie case of nexus.

[28] The fact that there were other things on the machine, he mentioned four other Riverwood patents. We do not believe that if you have the technology where you can have four patents to cover a machine that you should penalize one of them because of commercial success. And we submitted evidence, testimony evidence, your Honor, of the market share that prior to the introduction of the Twin Stack machine Riverwood's market

share in the soft drink industry was 30 percent, at the time of trial it was 50 percent. He mentioned —

THE COURT: Is there any tie-in between the increase in the market share and the actual invention itself?

MR. MANNING: The tie-in?

THE COURT: What is the nexus?

MR. MANNING: The nexus is, your Honor, several things.

No. 1, as stated by the special master, the invention is embodied in [29] the machine.

Secondly, Mr. Wilkinson testified that in the last four years, and this was at trial, that while Riverwood had sold — not sold, leased 100 of these machines they had only leased 12 of other machines, single stack machines. And of course, it's embodied in the invention. I don't know that we can show you any direct evidence that a customer said I am leasing this machine because it has the three-stream device. I can't say that. But certainly when you look at the fact that the invention is embodied there as found by the special master, and that it had the flexibility that the invention has — this is the thing that caused the machine to be popular. No other machine in the world with a patent, for example the Double Stack.

THE COURT: But the special master did not find any nexus with regard to the secondary considerations [30] of the increased market share.

MR. MANNING: Well, the — sorry, your Honor. He said insufficient nexus. Insufficient nexus means to me nexus has been found, but not enough, in his opinion.

THE COURT: But not enough.

MR. MANNING: And we think that he is wrong there. For example — my time is up.

THE COURT: You can answer the question.

MR. MANNING: He mentioned the Pepsi-Cola product. That Pepsi-Cola had a single agreement, that Pepsi-Cola paid $75,000 to fund the development. This is not true. Pepsi-Cola paid 75,000 to accelerate the development, so they could get the machines. There were two agreements. The other as to the rebates, that is was in a totally separate agreement. We think the fact that Pepsi-Cola ended up through the end of '94 with $15.9 million worth of [31] these machines, speaks to the success of the machine.

We believe, your Honor, that Judge Moye was correct and that the judgment should be affirmed.

MR. COLL: — drink a little water before I get up here.

Just to touch on a couple of the points that my opponent raised. One, he does attack the facts here under the guise of law. For example, teaching away finding, that is a factual finding that the law tells us — Panduit in re (inaudible) — they tell us those are factual findings. They are not legal findings. Yet he argues that it's a legal finding and, therefore

it's de novo, it's reviewed de novo, when it isn't reviewed de novo. It is reviewed on clear error standard.

The secondary features — I'm sorry, the secondary considerations. The machines, the success of the machines, were testified to principally [32] by a fellow named Wilkinson.

Wilkinson said when asked on cross-examination, how do you attribute the sales and the purported success relative to the various attractive features of the machine which are covered by patents and not by patents. He said he couldn't. He did not know.

The figures they gave with regard to market share. Whether it was in the soft drink industry or beer industry were all not tied to the machine. All they used the machine for, was sort of a start date. We have a machine. We sold a lot of machines. We sold a lot of paper. We sold a lot of cartons. But we have a start date, that's the machine date when it's on the market, and thereafter we just tell you what our market share is. Our market share has improved, but it can improve for any number of features. And it was for those reasons that the special master said there is insufficient nexus to [33] show success. He found that there was no — on the other features, the other considerations he found that there was no wanted or unmet need. They didn't even appeal that below when they went from the special master to the judge.

Copying. They mentioned that there — they claim that there is copying. There is no record below. So that when they address those secondary considerations, when they

address those objective evidentiary issues they can only do that on the basis of clear error, and that standard is a firm conviction that a mistake was made. And this record does not allow you, I believe, to make that kind of — to achieve that result.

So, we have a prima facie case because we have a teaching, we have a factual finding of teaching, they have not attacked that other than as I say a flank basis claim that it's a legal conclusion when it isn't. We have a [34] prima facie case. It was established on those findings of fact clear and convincing evidence that this combination was obvious and once that was found unless they can rebut that with the secondary considerations, with the objective evidence, which they failed to do below, they cannot have that judgment below of nonobviousness affirmed. Thank you.

THE COURT: Was that finding of this insufficient nexus allowed to stand by the District Court?

MR. COLL: It was.

Thank you.

THE COURT: Thank you.

The case is submitted.

* * * *